

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Belding	County Ionia
Fiscal Year End 6/30/2006	Opinion Date 9/12/2006	Date Audit Report Submitted to State 10/17/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

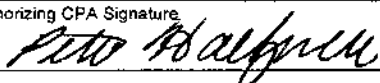
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☒ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe) Single audit report	<input checked="" type="checkbox"/>		
Certified Public Accountant (Firm Name) Vredeveld Haefner LLC		Telephone Number 616 460 9388	
Street Address 4001 Granada Ct.		City Grand Rapids	State MI
Authorizing CPA Signature 		Zip 49534	License Number 1684366
Printed Name Peter Haefner			

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**CITY OF BELDING, MICHIGAN
AS OF AND FOR THE YEAR ENDED JUNE 30, 2006**

PREPARED BY
City Manager's Office

CITY MANAGER
Randall DeBruine

INDEPENDENT AUDITORS
Vredeveld Haefner LLC

Ionia County

CITY OF BELDING

TABLE OF CONTENTS

INTRODUCTORY SECTION	PAGE
Transmittal Letter	i-iv
Certificate of Achievement for Excellence in Financial Reporting	v
Organizational Chart	vi
FINANCIAL SECTION	
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	9
Statement of Activities	10-11
Fund Financial Statements	
Balance Sheet - Governmental Funds	12
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	17
Statement of Net Assets - Proprietary Funds	18-19
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds	20-21
Statement of Cash Flows - Proprietary Funds	22-23
Statement of Net Assets - Agency Funds	24
Notes to Financial Statements	25-40
Combining and Individual Fund Statements and Schedules	
General fund	
Schedule of Expenditures - Budget and Actual	43
Nonmajor Governmental Funds	
Combining Balance Sheet	46-47
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	48-49
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Major Streets Fund	50
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Local Streets Fund	51
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Dispatch Fund	52
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Richardson Mills Fund	53
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Library Fund	54

CITY OF BELDING

TABLE OF CONTENTS

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Museum Fund	55
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Drug Forfeiture Fund	56

Dial-a-Ride Transit Fund Schedules

Schedule of Operating Revenues	58
Schedule of Operating Expenses	59
Schedule of Non-operating Revenues	60
Schedule of Net Eligible Costs Computations of General Operations	61
Schedule of Mileage Data	62

Internal Service Funds

Combining Statement of Net Assets	64
Combining Statement of Revenues, Expenses and Changes in Net Assets	65
Combining Statement of Cash Flows	66

Agency Fund

Statement of Changes in Assets and Liabilities	68
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Component Units

Combining Balance Sheet/Statement of Net Assets - Tax Increment Finance Authority	70
Combining Statement of Revenues, Expenditures and Changes in Fund Balances/ Statement of Activities - Tax Increment Finance Authority	71

STATISTICAL SECTION

Financial trends	
Net Assets by Component	75
Changes in Net Assets	76-77
Fund Balances of Governmental Funds	78
Changes in Fund Balances of Governmental Funds	79
Revenue capacity	
Assessed and Actual Value of Taxable Property	80
Direct and Overlapping Property Tax Rates	81
Principal Property Tax Payers	82
Property Tax Levies and Collections	83
Debt capacity	
Ratios of Outstanding Debt by Type	84
Direct and Overlapping Governmental Activities Debt	85
Legal Debt Margin Information	86
Pledged Revenue Coverage	87
Schedule of Indebtedness	88-89
Demographic and economic information	
Demographic and Economic Statistics	90
Principal Employers	91
Operating information	
City Employees by Function/Program	92
Operating Indicators by Function/Program	93
Capital Asset Statistics by Function/Program	94

CITY OF BELDING

TABLE OF CONTENTS

SINGLE AUDIT SECTION

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	95
Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	97-98
Schedule of Expenditures of Federal Awards	99
Schedule of Findings and Questioned Costs	100



City of

Belding
MICHIGAN

120 S. Pleasant Street • Belding, Michigan 48809
Phone (616) 794-1900 • Fax (616) 794-0091

October 1, 2006

To the Honorable Mayor, Members of the City Council and the Citizens of the City of Belding, Michigan:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Belding for the fiscal year ended June 30, 2006.

This report consists of management's representations concerning the finances of the City of Belding. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Belding has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Belding's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Belding's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Belding's financial statements have been audited by Vredevelde Haefner LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Belding for the fiscal year ended June 30, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Belding's financial statements for the fiscal year ended June 30, 2006, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Belding's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City, incorporated in 1857, is located in West Michigan about twenty-five miles northeast of Grand Rapids, Michigan. The City currently has a land area of 4.85 square miles and a population of 5,877 based on 2000 census data. The City is empowered to levy a property tax on both real and personal property located within its boundaries up to a state and charter mandated twenty mills without voter approval.

The City operates under the council-manager form of government. Policy making and legislative authority are vested in the governing council, which consists of a mayor and a four-member council. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for

appointing the heads of City departments. The council is elected on a non-partisan basis. Council members are elected to four-year staggered terms with three council members elected one year and two elected two years later. The council members elect the mayor to a two-year term.

The City provides a full range of municipal services for the public's health, safety, welfare and quality of life. These services include general administration, police protection, fire protection, planning and zoning, water and wastewater services, construction and maintenance of streets and other infrastructure, building and code enforcement, cemetery operations, park operations and maintenance, ambulance services, library, and a demand-response transportation system.

In addition to general City activities, the Tax Increment Finance Authority (TIFA), Local Development Finance Authority (LDFA) and Downtown Development Authority (DDA) are included in the City reporting entity as component units. During the year ended June 30, 2006, the Downtown Development Authority (DDA) was established, however there was no financial activity in the DDA or LDFA for the year, thus they are not included in the financial statements. Component units are reported in a separate column in the financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations and cash flows from those of the primary government. The Belding Housing Commission has been excluded from the City's financial statement because the City does not exercise significant oversight over this entity. This entity can independently generate revenue, adopt budgets, enter into contracts, and borrow funds.

The annual budget serves as the foundation for the City's financial planning and control. All agencies of the City are required to submit requests for appropriation to the City Manager on or before the first week in February of each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the council for review during the second council meeting in March. The council is required to hold a public hearing on the proposed budget and to adopt a final budget during the second meeting in May. The appropriated budget is prepared by fund and department. Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the approval of the City Council. Budget-to-actual comparisons are provided in this report for the general fund and all special revenue funds for which an appropriated annual budget has been adopted.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local economy The overall local economy remains in relatively decent shape, although the unemployment rate remains a concern. The unemployment rate in Ionia County for June 2006 was among the top 25% reported in the State of Michigan. Many of the local manufacturers have reduced employment during the last few years in order to compensate for the loss of business. The impact of the closing of Electrolux Home Products six miles to the North in the City of Greenville also remains a concern for the local economy as 2,700 jobs have been eliminated.

Since the start of the recession in the first quarter of 2001, economic growth has also been weak in Michigan. State revenues have been off, leading to a mounting budget crisis that required cuts in State government spending and reductions to revenue sharing with local governments.

However, the economic condition and outlook for the City of Belding should remain favorable, as stability and modest growth hopefully will continue. The manufacturing base is well diversified and comprised of several smaller companies. The largest employer is Extruded Metals with approximately 225 employees.

The proximity to Grand Rapids also is a benefit as Belding is gradually increasing in residential growth due to the appeal of small town living while being within easy access of services and employment that only metropolitan areas offer.

The 2006 advalorem assessment roll totals \$116,223,800, which is an increase of \$2,074,100 or 1.8% over 2005's assessed value of \$114,149,700. This is slightly lower than last year's increase of 2.7%. The assessed value represents 50% of market value and is the basis for measuring uniformity of assessments. With the passage of Proposal A in the State of Michigan in 1994, the taxable value now serves as the basis for determining property tax revenues. The 2006 taxable value increased \$3,927,862 or 4.3%, from \$90,414,178 to \$94,342,040, which is down slightly from last year's 4.9% increase.

Long-term financial planning The City recently completed a downtown marketing plan to provide a strategic plan for a revitalization of the downtown area. Implementation of this plan has commenced with the re-paving of the covered village mall parking lot and will be an ongoing effort for many years.

The next transportation related project will be the milling and resurfacing of several major streets at a cost of over \$1,000,000 made possible by two grants of \$375,000 each. MDOT will be adding a center turn lane on M44 in 2007, along with storm sewer and curb and gutter.

The enhancement of the M44 corridor with sidewalks and lighting will be completed in 2007. A complete reconstruction of Congress street including sewer and water infrastructure was successfully completed in the past year.

Improvements to the sanitary sewer system include extensive preventative maintenance in the form of cutting roots from the sewer mains, foaming the cut roots, and relining sewer mains that have dislocated joints. More attention and effort is being placed into preventative maintenance on the sewer system to reduce the possibility and occurrences of sewer backups. A sewer master plan was completed during the year and the initial design for recommended improvements is underway. The first vital improvement is replacement of the Water Street lift station which is currently in the construction bid stage. Preliminary planning has also begun on a 3.5 million dollar project to complete the separation of the storm sewer from the sanitary sewer system, upgrade lift stations, and replace difficult sewer mains. The City was recently awarded four sewer grants totaling \$1,509,000.

The Belrockton continues to be improved as construction wraps up on significant upgrades and renovations. A long term plan is being followed for this building.

The Library has begun a \$3.5 million expansion project after raising almost \$1,000,000 in donations and securing a loan through the United States Department of Agriculture Rural Development loan pool.

Cash management policies and practices The City has a cash management system designed to invest temporarily idle funds in obligations of the United States Government, certificates of deposit from banks, municipal investment pools, and other securities as permitted by state law and the City's investment policy. The maturities of investments generally range from one to three years, although some federal agency securities and negotiable certificate of deposits have longer maturities.

Risk Management The Michigan Municipal Liability and Property Pool provides insurance coverage for property, liability, auto, and crime, as well as for workers' compensation. The City's health care coverage is provided through Priority Health, the vision insurance is provided by VSP, and the City is self insured for dental claims. Standard Insurance is the provider for life and disability insurance for City employees.

Pension and other post employment benefits The City provides pension benefits for all full-time employees through a defined contribution plan administered by the International City Managers Association Retirement Corporation (ICMA RC), except for the police officers, which are under a defined

benefit plan administered by the Michigan Employment Retirement System (MERS). Under the defined contribution plan, the City contributes 9% of the employee's base annual compensation.

The City provides some post-employment health care benefits for the unionized police officers. All other retirees pay the entire cost of their participation in the health insurance plan.

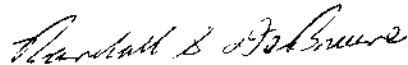
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Belding for its comprehensive annual financial report for the fiscal year ended June 30, 2005. This was the sixth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire administrative staff and other City departments that contributed to the preparation of this report. Credit also must be given to the Mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



Randall S. DeBruine
City Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Belding,
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Caren E. Perry

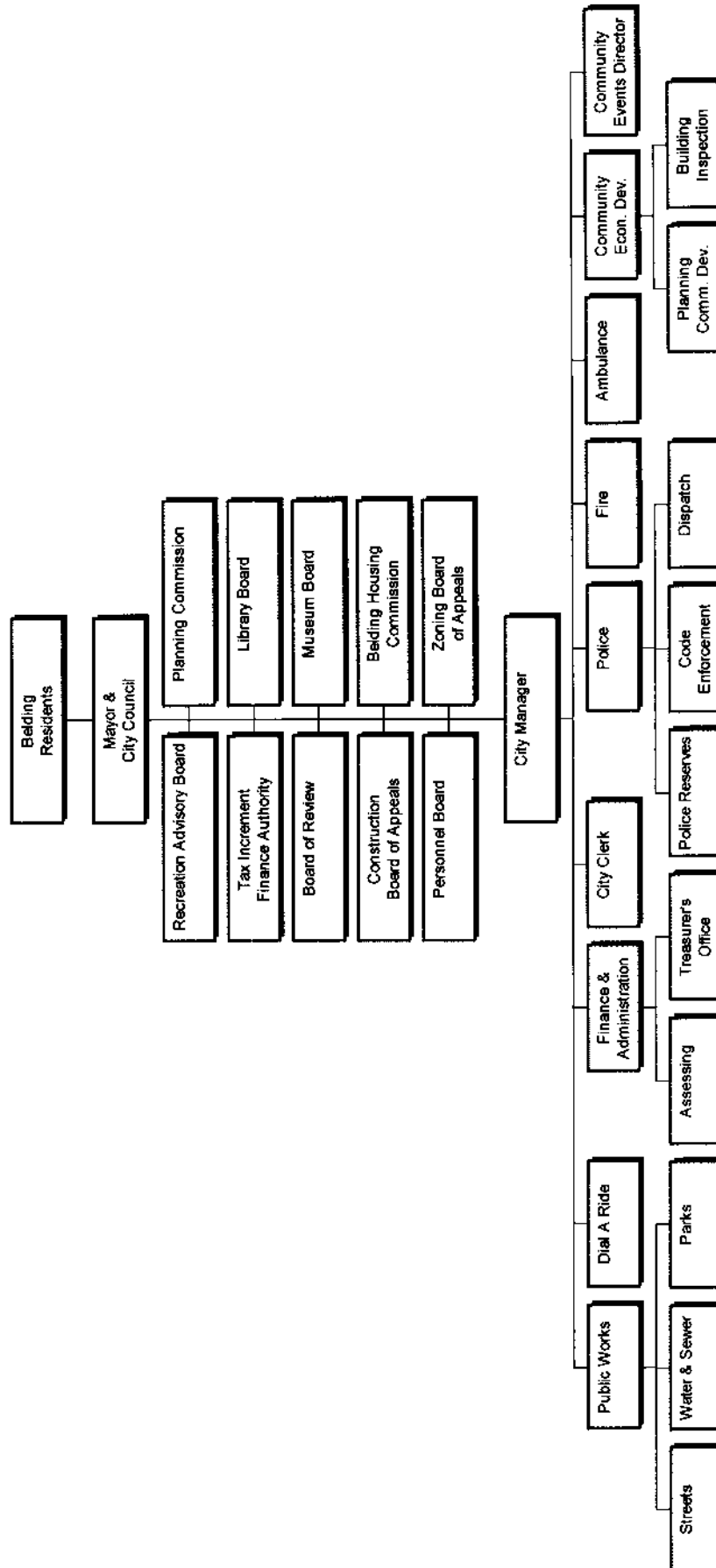
President

Jeffrey R. Enos

Executive Director

CITY OF BELDING

ORGANIZATIONAL CHART





Vredeveld Haefner LLC
CPA's and Consultants
4001 Granada Ct.
Grand Rapids, MI 49534
FAX (616) 828-0307

Douglas J. Vredeveld, CPA
(616) 446-7474
Peter S. Haefner, CPA
(616) 460-9388

INDEPENDENT AUDITORS' REPORT

September 12, 2006

Honorable Mayor and Members of the City Council
City of Belding, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Belding, Michigan, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Belding, Michigan. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information for the City of Belding, Michigan as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 12, 2006, on our consideration of the City of Belding's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-8 is not a required part of the basic financial statements but is supplementary information required by generally accepted accounting principals in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Belding's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non Profit Organizations*, and is also not a required part of the basic financial statements of the City of Belding. The combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Ordevald Haefner LLC

Management's Discussion and Analysis

As management of the City of Belding (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

The financial statements, which follow this Management's Discussion and Analysis, provide these significant key financial highlights for the 2005-06 Fiscal Year as follows:

- \$1.2 million dollars in federal funding provided through the State of Michigan and \$300,000 of community development block grant funds were utilized to fund Congress Street and the Bridge Street bridge projects.
- Fund raising and design work was in progress for the planned addition to the City Library.
- Reconstruction of the mall parking lot began with completion schedule for 2007.
- Federal and state funding was utilized to purchase two new buses for the Dial-a-Ride program.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements The Government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected revenues and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works and streets, and culture and recreation. The business-type activities of the City include Dial-a-Ride, Sewer, Water, and Ambulance operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate Tax Increment Finance Authority (TIFA), Local Development Finance Authority (LDFA), and Downtown Development Authority (DDA) for which the City is financially accountable. The LDFA completed payment of outstanding debt in 2005 and no financial activity is reported for the current year. The DDA was formed in 2006 and no financial activity is reported for 2006. Information for these component units is reported separately from the financial information presented for the primary government itself.

Fund financial statements A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the following two major funds: General and Capital Improvements. Data is combined into a single aggregated presentation for the other eleven governmental funds. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements and schedules.

The City adopts an annual appropriated budget for its General Fund and all special revenue funds. A budgetary comparison statement has been provided for the budgeted funds to demonstrate legal compliance.

Proprietary funds The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Dial-a-Ride, Sewer, Water, and Ambulance operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its supplies and professional fees, buildings, fleet of vehicles, and insurance. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Dial-a-Ride, Sewer, Water, and Ambulance operations, all of which are considered to be major funds of the City. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resource of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information. This is limited to this discussion and analysis, combining statements and schedules, statistical information and single audit information.

Government-wide Financial Analysis

Statement of Net Assets As noted earlier, net assets may serve over time as a useful indicator of a City's financial position. In the case of the City, assets exceeded liabilities by \$17,640,916 at the close of the most recent fiscal year. The following chart illustrates the composition of net assets.

City of Belding's Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2006	2005	2006	2005	2006	2005
Assets						
Current and other assets	\$2,680,901	\$4,181,308	\$ (144,407)	\$ 173,926	\$2,536,494	\$ 4,355,234
Capital assets	8,386,088	5,454,705	9,337,019	9,142,909	17,723,107	14,597,614
Total assets	11,066,989	9,636,013	9,192,612	9,316,835	20,259,601	18,952,848
Liabilities						
Current liabilities	220,491	306,890	109,854	104,678	330,345	411,568
Long-term liabilities	1,177,073	1,289,277	1,111,267	1,225,743	2,288,340	2,515,020
Total liabilities	1,397,564	1,596,167	1,221,121	1,330,421	2,618,685	2,926,588
Net assets						
Invested in capital assets, net of related debt	7,326,258	4,283,083	8,256,276	7,917,166	15,582,534	12,200,249
Restricted	1,151,857	2,355,064	-	-	1,151,857	2,355,064
Unrestricted	1,190,038	1,401,699	(284,785)	69,248	905,253	1,470,947
Total net assets	\$9,669,425	\$8,039,846	\$7,971,491	\$7,986,414	\$17,640,916	\$16,026,260

By far the largest portion of the City's net assets in the amount of 88% reflects its investment in capital assets (e.g., land, buildings, machinery and equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets in the amount of 7% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets in the amount of \$905,253, or 5%, may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, for the government as a whole, as well as for its governmental-type activities. Business-type activities reported negative unrestricted net assets at year end.

Statement of Activities The City's total revenue for the fiscal year ended June 30, 2006, was \$7,594,134. The total cost of all programs and services was \$5,979,478. This results in a net asset increase at the end of the fiscal year of \$1,614,656. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2006.

City of Belding's Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2006	2005	2006	2005	2006	2005
Revenues						
Program revenues						
Charges for services	\$ 610,101	\$ 257,388	\$1,775,044	\$1,835,459	\$2,385,145	\$2,092,847
Operating grants and contributions	657,318	642,331	129,045	156,026	786,363	798,357
Capital grants and contributions	1,528,891	1,090,940	382,630	-	1,911,521	1,090,940
General revenues						
Property taxes	1,724,967	1,685,540	-	-	1,724,967	1,685,540
State shared revenues	732,142	739,551	-	-	732,142	739,551
Investment earnings	48,827	106,204	5,169	5,280	53,996	111,484
Other	-	268,511	-	-	-	268,511
Total revenues	5,302,246	4,790,465	2,291,888	1,996,765	7,594,134	6,787,230
Expenses						
General government	849,876	814,409	-	-	849,876	814,409
Public safety	1,499,635	1,224,421	-	-	1,499,635	1,224,421
Public works and streets	513,211	706,441	-	-	513,211	706,441
Culture and recreation	722,106	647,071	-	-	722,106	647,071
Interest on long-term debt	57,839	61,907	-	-	57,839	61,907
Dial-A-Ride	-	-	305,875	323,344	305,875	323,344
Sewer	-	-	756,757	678,093	756,757	678,093
Water	-	-	718,658	624,492	718,658	624,492
Ambulance	-	-	555,521	583,221	555,521	583,221
Total expenses	3,642,667	3,454,249	2,336,811	2,209,150	5,979,478	5,663,399
Increase (decrease) before transfers	1,659,579	1,336,216	(44,923)	(212,385)	1,614,656	1,123,831
Transfers in (out)	(30,000)	(179,059)	30,000	179,059	-	-
Increase (decrease) in net assets	1,629,579	1,157,157	(14,923)	(33,326)	1,614,656	1,123,831
Net assets – beginning	8,039,846	6,882,689	7,986,414	8,019,740	16,026,260	14,902,429
Net assets – ending	\$9,669,425	\$8,039,846	\$7,971,491	\$7,986,414	\$17,640,916	\$16,026,260

Government Activities The preceding table shows that the governmental activities increased the City's net assets by \$1,629,579 during this fiscal year, accounting for almost 100% of the total growth in net assets. This increase was mostly the result of federal financial assistance received for street projects.

Business-type Activities Business-type activities decreased the City's net assets by \$14,923, or less than one percent of the total growth in the City's net assets.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,201,210, a decrease of \$1,111,435 in comparison with the prior year.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the entire fund balance of the General Fund of \$663,276 was unreserved and undesignated. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 29% of total General Fund expenditures.

The fund balance of the General Fund increased by \$72,187, or 12%, during the current fiscal year. The change in fund balance is highly dependent on the level of transfers to other funds provided by the General Fund.

Proprietary funds The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The City of Belding's enterprise operations consist of four separate and distinct activities. The Dial-a-Ride public transit system provides "demand response" curb-to-curb bus service in the City of Belding Monday through Friday. In addition, bus service is provided to the City of Ionia at specified times. Operating funds are derived from the Michigan Department of Transportation, Federal Transit Administration, City of Belding, and passenger fares. The net assets of the fund increased by \$146,578, primarily as a result of capital grants received for completion of the depot and for the purchase of two new buses.

The Sewer and Water Funds provide service to most residents and businesses of the City. Both funds received federal financial assistance during the year to assist with the costs of street construction projects.

The Ambulance fund operating loss was primarily the result of fewer medical transfer runs and related revenues during the year.

General Fund Budgetary Highlights

Differences between the General Fund original and final amended budgets were primarily the result of a federal grant which was received for the purchase of firefighter turnout gear.

Capital Asset and Debt Administration

Capital Assets The City's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounts to \$17,723,107 (net of accumulated depreciation). Of this amount, \$8,386,088 was for its governmental type activities and \$9,337,019 was for its business-type activities. This investment in capital assets includes land, construction in progress, buildings and equipment, vehicles and infrastructure.

Major capital asset events during the current fiscal year included the following:

- Purchase of approximately \$300,000 of vehicles by the Motor Pool fund.
- Reconstruction of Congress Street and the Bridge Street bridge.
- Renovation of the Belrockton community center and museum building.
- Reconstruction of the Covered Village Mall parking lot which was in progress at year end.
- Completion of the City Depot facilities renovation.

Additional information on the City's capital assets can be found on page 35 of this report.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$3,555,573. Of this amount, \$1,059,830 comprised of debt backed by the full faith and credit of the government, \$1,080,743 represents bonds secured solely by specified revenue sources (i.e., water and sewer revenue bonds), and \$1,415,000 relates to component unit debt (TIFA).

The City's total debt decreased by \$256,792, during the current fiscal year, due to the assumption of no new debt and the regular bond payments made throughout the year. The City's bond rating with Standard & Poor's is a BBB+.

The City debt limit, as defined by statute, is ten percent (10%) of state equalized property values, which currently equals \$12,022,340. Total City long-term debt subject to this limit is \$2,235,000 (including \$1,415,000 of component unit debt) at June 30, 2006.

Additional information on the City's long-term debt can be found on pages 38 and 39 of this report.

Economic Factors and Next Year's Budgets and Rates

The following economic factors were considered in preparing the City's budget for the 2006/07 fiscal year:

- Flat performance of the State of Michigan's economy will likely result in stagnant or additional decreases in state funding.
- Wage increases as identified in employment agreements.
- The City's unemployment rate is higher than the state's average unemployment rate due in part to the struggling manufacturing base in the State of Michigan and especially in Ionia and Montcalm counties with the closing of Electrolux.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the city's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Finance Director/Treasurer, 120 S. Pleasant Street, Belding, Michigan 48809.

CITY OF BELDING
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Primary Government			Component Units
	Governmental	Business-Type		Tax
	Activities	Activities	Total	Increment
				Finance
				Authority
Assets				
Cash and pooled investments	\$ 1,596,415	\$ -	\$ 1,596,415	\$ 169,672
Investments	33,500	-	33,500	-
Accounts receivable	125,569	488,352	613,921	-
Accrued interest receivable	46,491	1,635	48,126	1,431
Prepaid items	18,553	-	18,553	-
Due from other governments	218,121	7,858	225,979	-
Internal balances	642,252	(642,252)	-	-
Capital assets				
Land	510,450	57,234	567,684	-
Construction in progress	957,814	32,887	990,701	-
Depreciable capital assets, net	6,917,824	9,246,898	16,164,722	-
Total assets	11,066,989	9,192,612	20,259,601	171,103
Liabilities				
Accounts payable	147,582	43,799	191,381	-
Accrued liabilities	69,750	29,686	99,436	10,769
Customer deposits	-	13,354	13,354	-
Unearned revenue	3,159	23,015	26,174	-
Noncurrent liabilities				
Compensated absences	117,243	30,524	147,767	-
Due within one year	91,152	155,000	246,152	110,000
Due in more than one year	968,678	925,743	1,894,421	1,305,000
Total liabilities	1,397,564	1,221,121	2,618,685	1,425,769
Net assets				
Invested in capital assets, net of related debt	7,326,258	8,256,276	15,582,534	-
Restricted for				
Library	547,313	-	547,313	-
Capital Improvements	150,307	-	150,307	-
Major streets	68,720	-	68,720	-
Local streets	155,724	-	155,724	-
Museum	56,699	-	56,699	-
Drug forfeitures	35,330	-	35,330	-
Permanent trusts				
Riverridge Cemetery - expendable portion	8,900	-	8,900	-
Riverridge Cemetery - corpus	95,364	-	95,364	-
Alvah N. Belding Library - corpus	33,500	-	33,500	-
Building Authority	1,272	-	1,272	-
Unrestricted (deficit)	1,190,038	(284,785)	905,253	(1,254,666)
Total net assets	\$ 9,669,425	\$ 7,971,491	\$ 17,640,916	\$ (1,254,666)

The accompanying notes are an integral part of these financial statements.

CITY OF BELDING
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government					
Governmental activities					
General government	\$ 849,876	\$ 325,965	\$ 10,000	\$ 118,520	\$ (395,391)
Public safety	1,499,635	229,572	43,125	-	(1,226,938)
Public works and streets	513,211	2,865	478,079	1,263,076	1,230,809
Culture and recreation	722,106	51,699	126,114	147,295	(396,998)
Interest on long-term debt	57,839	-	-	-	(57,839)
Total governmental activities	3,642,667	610,101	657,318	1,528,891	(846,357)
Business-type activities					
Dial-a-Ride	305,875	76,268	128,555	182,630	81,578
Sewer	756,757	629,075	-	80,000	(47,682)
Water	718,658	618,820	-	120,000	20,162
Ambulance	555,521	450,881	490	-	(104,150)
Total business-type activities	2,336,811	1,775,044	129,045	382,630	(50,092)
Total primary government	\$ 5,979,478	\$ 2,385,145	\$ 786,363	\$ 1,911,521	\$ (896,449)
Component units					
Tax Increment Finance Authority	\$ 78,672	\$ -	\$ -	\$ -	\$ (78,672)
Total component units	\$ 78,672	\$ -	\$ -	\$ -	\$ (78,672)

(Continued)

The accompanying notes are an integral part of these financial statements.

CITY OF BELDING
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

	Primary Government			Component Units
	Governmental	Business-type		Tax
	Activities	Activities	Total	Increment
				Finance
				Authority
Changes in net assets				
Net (expense) revenue	\$ (846,357)	\$ (50,092)	\$ (896,449)	\$ (78,672)
General revenues				
Property taxes				
General operating	1,336,185	-	1,336,185	201,494
Capital improvement	177,189	-	177,189	-
County-wide library	211,593	-	211,593	-
State shared revenues - unrestricted	732,142	-	732,142	-
Interest earnings	48,827	5,169	53,996	4,545
Transfers - internal activities	(30,000)	30,000	-	-
Total general revenues and transfers	2,475,936	35,169	2,511,105	206,039
Change in net assets	1,629,579	(14,923)	1,614,656	127,367
Net assets (deficit), beginning of year	8,039,846	7,986,414	16,026,260	(1,382,033)
Net assets (deficit), end of year	\$ 9,669,425	\$ 7,971,491	\$ 17,640,916	\$ (1,254,666)

(Concluded)

The accompanying notes are an integral part of these financial statements.

CITY OF BELDING
GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2006

	<u>General</u>	<u>Capital Improvements</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 84,933	\$ 285,751	\$ 943,232	\$ 1,313,916
Investments	-	-	33,500	33,500
Accounts receivable	61,241	-	60,000	121,241
Accrued interest receivable	16,973	2,217	17,288	36,478
Prepaid items	18,553	-	-	18,553
Due from other funds	400,000	-	342,811	742,811
Due from other governments	146,036	-	72,085	218,121
Total assets	\$ 727,736	\$ 287,968	\$ 1,468,916	\$ 2,484,620
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 18,205	\$ 50,260	\$ 27,070	\$ 95,535
Accrued liabilities	43,096	-	15,884	58,980
Due to other funds	-	-	65,736	65,736
Deferred revenue	3,159	-	60,000	63,159
Total liabilities	64,460	50,260	168,690	283,410
Fund balances				
Reserved for				
Nonmajor permanent fund corpus	-	-	128,864	128,864
Unreserved				
Undesignated	663,276	237,708	-	900,984
Undesignated reported in nonmajor				
Special revenue funds	-	-	1,248,591	1,248,591
Capital projects funds	-	-	(87,401)	(87,401)
Debt service fund	-	-	1,272	1,272
Permanent funds	-	-	8,900	8,900
Total fund balances	663,276	237,708	1,300,226	2,201,210
Total liabilities and fund balances	\$ 727,736	\$ 287,968	\$ 1,468,916	\$ 2,484,620

The accompanying notes are an integral part of these financial statements.

CITY OF BELDING

RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS

JUNE 30, 2006

Fund balances - total governmental funds	\$ 2,201,210
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Add - land	510,450
Add - construction in progress	957,814
Add - capital assets (net of accumulated depreciation)	6,270,058
Certain assets are not due and receivable in the current period and therefore are offset with deferred revenue in the funds.	
Add - Richardson Mills deferred revenue	60,000
An internal service fund is used by management to charge the costs of centralized costs, to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities.	
Add - net assets of governmental activities accounted for in the internal service funds	855,241
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - compensated absences payable	(116,529)
Deduct - bonds payable	(1,059,830)
Deduct - accrued interest on bonds payable	(8,989)
Net assets of governmental activities	<u>\$ 9,669,425</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BELDING

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2006

	<u>General</u>	<u>Capital Improvements</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues				
Taxes	\$ 1,336,185	\$ 177,189	\$ 211,593	\$ 1,724,967
Intergovernmental revenues				
Federal	42,125	100,000	-	142,125
State	732,142	-	445,689	1,177,831
Licenses and permits	21,542	-	-	21,542
Charges for services	265,867	-	123,661	389,528
Fines	20,772	-	87,372	108,144
Special assessment	2,406	-	-	2,406
Donations	-	18,520	176,917	195,437
Miscellaneous	140,817	18,287	129,568	288,672
Total revenues	<u>2,561,856</u>	<u>313,996</u>	<u>1,174,800</u>	<u>4,050,652</u>
Expenditures				
Current				
General government	666,332	-	-	666,332
Public safety	1,307,066	-	177,871	1,484,937
Public works and streets	-	-	190,527	190,527
Culture and recreation	218,147	-	962,679	1,180,826
Debt service				
Principal	76,792	-	35,000	111,792
Interest	13,548	-	45,206	58,754
Capital Outlay	-	1,438,919	-	1,438,919
Total expenditures	<u>2,281,885</u>	<u>1,438,919</u>	<u>1,411,283</u>	<u>5,132,087</u>
Revenues over (under) expenditures	<u>279,971</u>	<u>(1,124,923)</u>	<u>(236,483)</u>	<u>(1,081,435)</u>
Other financing sources (uses)				
Transfers in	-	50,000	177,784	227,784
Transfers out	(207,784)	-	(50,000)	(257,784)
Total other financing sources (uses)	<u>(207,784)</u>	<u>50,000</u>	<u>127,784</u>	<u>(30,000)</u>
Net changes in fund balances	<u>72,187</u>	<u>(1,074,923)</u>	<u>(108,699)</u>	<u>(1,111,435)</u>
Fund balances, beginning of year	<u>591,089</u>	<u>1,312,631</u>	<u>1,408,925</u>	<u>3,312,645</u>
Fund balances, end of year	<u>\$ 663,276</u>	<u>\$ 237,708</u>	<u>\$ 1,300,226</u>	<u>\$ 2,201,210</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BELDING

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2006

Net changes in fund balances - total governmental funds **\$ (1,111,435)**

Amounts reported for *governmental activities* in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	2,927,609
Deduct - depreciation expense	(238,991)

Special assessments receivable are long-term in nature and are collectable over several years. However the current receipts are reflected as revenues on the fund statements.

Deduct - special assessment receipts	(11,482)
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Repayment of bond or note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on debt	111,792
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add - changes in compensated absences	1,126
Add - changes in accrued interest	915

Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.

Deduct - net loss from the internal service funds	<u>(49,955)</u>
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Change in net assets of governmental activities	<u>\$ 1,629,579</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF BELDING

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Taxes	\$ 1,314,500	\$ 1,314,500	\$ 1,336,185	\$ 21,685
Intergovernmental revenues				
Federal	-	43,225	42,125	(1,100)
State	722,000	722,000	732,142	10,142
Licenses and permits	10,500	10,500	21,542	11,042
Charges for services	234,800	244,800	265,867	21,067
Fines	17,120	17,120	20,772	3,652
Special assessment	2,500	2,500	2,406	(94)
Miscellaneous	70,500	92,500	140,817	48,317
Total revenues	2,371,920	2,447,145	2,561,856	114,711
Expenditures				
Current				
General government	691,604	691,704	666,332	25,372
Public safety	1,232,686	1,318,638	1,307,066	11,572
Culture and recreation	219,058	243,858	218,147	25,711
Debt service				
Principal	76,792	76,792	76,792	-
Interest and fiscal charges	14,128	14,128	13,548	580
Total expenditures	2,234,268	2,345,120	2,281,885	63,235
Revenues over (under) expenditures	137,652	102,025	279,971	51,476
Transfers out	(207,784)	(207,784)	(207,784)	-
Net changes in fund balance	(70,132)	(105,759)	72,187	177,946
Fund balance, beginning of year	591,089	591,089	591,089	-
Fund balance, end of year	\$ 520,957	\$ 485,330	\$ 663,276	\$ 177,946

The accompanying notes are an integral part of these financial statements.

CITY OF BELDING
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2006

	Enterprise Funds			
	Dial-a-Ride Transit	Sewer	Water	Ambulance
Assets				
Current assets				
Cash and pooled investments	\$ -	\$ -	\$ -	\$ -
Accounts receivable	-	27,915	328,147	132,290
Accrued interest receivable	-	1,224	-	411
Due from other governments	7,858	-	-	-
Total current assets	7,858	29,139	328,147	132,701
Capital assets				
Land	-	44,814	12,420	-
Construction in progress	-	32,887	-	-
Land improvements	-	11,463	-	-
Buildings and equipment	618,051	1,544,295	2,591,280	5,611
Vehicles	308,621	-	-	158,346
Infrastructure	-	4,033,101	4,144,603	-
Less accumulated depreciation	(274,278)	(1,975,672)	(1,867,969)	(50,554)
Net capital assets	652,394	3,690,888	4,880,334	113,403
Total assets	660,252	3,720,027	5,208,481	246,104
Liabilities				
Current liabilities				
Accounts payable	3,615	33,509	6,380	295
Accrued liabilities	4,904	6,092	3,944	14,746
Due to other funds	114,240	91,624	215,550	220,838
Unearned revenue	-	-	-	23,015
Customer deposits	-	-	13,354	-
Current portion of long-term debt	-	125,000	30,000	-
Total current liabilities	122,759	256,225	269,228	258,894
Long-term liabilities				
Compensated absences	5,476	8,031	5,709	11,308
Bonds payable, net of current portion	-	320,743	605,000	-
Total long-term liabilities	5,476	328,774	610,709	11,308
Total liabilities	128,235	584,999	879,937	270,202
Net assets				
Investment in capital assets net of related debt	652,394	3,245,145	4,245,334	113,403
Unrestricted (deficit)	(120,377)	(110,117)	83,210	(137,501)
Total net assets	\$ 532,017	\$ 3,135,028	\$ 4,328,544	\$ (24,098)

The accompanying notes are an integral part of these financial statements.

Enterprise Fund <u>Total</u>	Governmental Activities	
	<u>Internal Service Funds</u>	
\$ -	\$	282,499
488,352		4,328
1,635		10,013
7,858		-
<hr/>		
497,845		296,840
<hr/>		
57,234		-
32,887		-
11,463		-
4,759,237		221,904
466,967		1,856,288
8,177,704		-
(4,168,473)		(1,430,426)
<hr/>		
9,337,019		647,766
<hr/>		
9,834,864		944,606
<hr/>		
43,799		52,047
29,686		1,781
642,252		34,823
23,015		-
13,354		-
155,000		-
<hr/>		
907,106		88,651
<hr/>		
30,524		714
925,743		-
<hr/>		
956,267		714
<hr/>		
1,863,373		89,365
<hr/>		
8,256,276		647,766
(284,785)		207,475
<hr/>		
\$ 7,971,491	\$	855,241
<hr/>		

CITY OF BELDING

PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2006

	Enterprise Funds			
	<u>Dial-a-Ride Transit</u>	<u>Sewer</u>	<u>Water</u>	<u>Ambulance</u>
Operating revenue				
Charges for services	\$ 68,609	\$ 607,293	\$ 609,917	\$ 433,330
Other	757	21,782	8,903	15,601
Total operating revenue	<u>69,366</u>	<u>629,075</u>	<u>618,820</u>	<u>448,931</u>
Operating expense				
Personnel services	130,102	163,154	129,285	423,087
Contractual services	64,677	127,706	117,468	21,215
Benefits	24,740	43,315	32,561	47,453
Materials and supplies	25,463	27,656	48,359	26,103
Utilities	12,944	23,583	68,832	834
Repair and maintenance	25,356	181,744	70,978	12,491
Equipment rentals	-	65,000	65,000	-
Depreciation	18,894	113,034	168,330	18,710
Miscellaneous	3,699	250	1,657	5,628
Total operating expense	<u>305,875</u>	<u>745,442</u>	<u>702,470</u>	<u>555,521</u>
Operating income (loss)	<u>(236,509)</u>	<u>(116,367)</u>	<u>(83,650)</u>	<u>(106,590)</u>
Non-operating revenue (expense)				
Federal grants	172,482	80,000	120,000	-
State grants	138,703	-	-	-
Miscellaneous	6,902	-	-	2,440
Interest income	-	5,169	-	-
Interest expense	-	(11,315)	(16,188)	-
Total non-operating revenue (expense)	<u>318,087</u>	<u>73,854</u>	<u>103,812</u>	<u>2,440</u>
Income (loss) before transfers	<u>81,578</u>	<u>(42,513)</u>	<u>20,162</u>	<u>(104,150)</u>
Transfers				
Transfers in	65,000	-	-	-
Transfers out	-	(5,000)	(5,000)	(25,000)
Total transfers	<u>65,000</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>(25,000)</u>
Changes in net assets	<u>146,578</u>	<u>(47,513)</u>	<u>15,162</u>	<u>(129,150)</u>
Net assets, beginning of year	<u>385,439</u>	<u>3,182,541</u>	<u>4,313,382</u>	<u>105,052</u>
Net assets (deficit), end of year	<u>\$ 532,017</u>	<u>\$ 3,135,028</u>	<u>\$ 4,328,544</u>	<u>\$ (24,098)</u>

The accompanying notes are an integral part of these financial statements.

Enterprise Fund <u>Total</u>	Governmental Activities	
	<u>Internal Service Funds</u>	
\$ 1,719,149	\$ 1,215,711	
47,043	-	
<u>1,766,192</u>	<u>1,215,711</u>	
845,628	45,958	
331,066	853,634	
148,069	8,448	
127,581	59,323	
106,193	81,413	
290,569	128,000	
130,000	-	
318,968	87,202	
11,234	8,560	
<u>2,309,308</u>	<u>1,272,538</u>	
<u>(543,116)</u>	<u>(56,827)</u>	
372,482	-	
138,703	-	
9,342	-	
5,169	6,872	
<u>(27,503)</u>	<u>-</u>	
<u>498,193</u>	<u>6,872</u>	
<u>(44,923)</u>	<u>(49,955)</u>	
65,000	-	
<u>(35,000)</u>	<u>-</u>	
<u>30,000</u>	<u>-</u>	
<u>(14,923)</u>	<u>(49,955)</u>	
<u>7,986,414</u>	<u>905,196</u>	
<u>\$ 7,971,491</u>	<u>\$ 855,241</u>	

CITY OF BELDING

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2006

	Enterprise Funds			
	Dial-a-Ride Transit	Sewer	Water	Ambulance
Cash flows from operating activities				
Receipts from internal services provided	\$ -	\$ -	\$ -	\$ -
Receipts from customers and users	69,366	790,352	514,481	414,447
Payments to employees	(148,187)	(198,896)	(159,673)	(451,918)
Payments to suppliers	(129,329)	(406,625)	(381,169)	(79,512)
Net cash provided by (used in) operating activities	(208,150)	184,831	(26,361)	(116,983)
Cash flows from non-capital financing activities				
Loan from other funds	17,415	29,335	91,303	139,543
Operating grants	147,963	-	-	-
Transfers in	65,000	-	-	-
Transfers out	-	(5,000)	(5,000)	(25,000)
Net cash provided by (used in) non-capital financing activities	230,378	24,335	86,303	114,543
Cash flows from capital and related financing activities				
Interest expense	-	(11,315)	(16,188)	-
Capital grants	182,630	80,000	120,000	-
Other nonoperating revenue	6,902	-	-	2,440
Principal on bonds	-	(120,000)	(25,000)	-
Acquisitions of capital assets	(211,760)	(162,567)	(138,754)	-
Net cash provided by (used in) capital and related financing activities	(22,228)	(213,882)	(59,942)	2,440
Cash flows from investing activities				
Interest income	-	4,716	-	-
Net cash provided by (used in) investing activities	-	4,716	-	-
Net increase (decrease) in cash and pooled investments	-	-	-	-
Cash and pooled investments, beginning of year	-	-	-	-
Cash and pooled investments, end of year	\$ -	\$ -	\$ -	\$ -
Cash flows from operating activities				
Operating income (loss)	\$ (236,509)	\$ (116,367)	\$ (83,650)	\$ (106,590)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	18,894	113,034	168,330	18,710
Change in operating assets and liabilities which provided (used) cash				
Accounts receivable	-	161,277	(104,339)	(35,154)
Accounts payable	2,810	19,314	(8,875)	(13,241)
Accrued liabilities	4,904	6,092	1,441	15,416
Compensated absences	1,751	1,481	732	3,876
Net cash provided by (used in) operating activities	\$ (208,150)	\$ 184,831	\$ (26,361)	\$ (116,983)

The accompanying notes are an integral part of these financial statements.

Enterprise Fund Total	Governmental Activities	
	Internal Service Funds	
\$ -	\$ 1,213,450	
1,788,646	-	
(958,674)	(52,860)	
(996,635)	(1,102,561)	
(166,663)	58,029	
277,596	34,822	
147,963	-	
65,000	-	
(35,000)	-	
455,559	34,822	
(27,503)	-	
382,630	-	
9,342	-	
(145,000)	-	
(513,081)	(329,966)	
(293,612)	(329,966)	
4,716	4,692	
4,716	4,692	
-	(232,423)	
-	514,922	
\$ -	\$ 282,499	
\$ (543,116)	\$ (56,827)	
318,968	87,202	
21,784	(2,261)	
8	28,369	
27,853	1,782	
7,840	(236)	
\$ (166,663)	\$ 58,029	

CITY OF BELDING
AGENCY FUND
STATEMENT OF NET ASSETS

JUNE 30, 2006

	Agency Fund
Assets	
Cash and pooled investments	\$ 500
Total assets	<u>\$ 500</u>
 Liabilities	
Taxes payable	\$ 500
Total liabilities	<u>\$ 500</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Belding, Michigan (the "City") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

These financial statements present the City and its component units, entities with which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations, so data from these units are combined with data of the primary government. Discretely presented component units are reported in a separate column in the financial statements to emphasize they are legally separate from the City. A separate section of the Basic Financial Statements provides detailed financial information on the discretely presented component units.

Blended Component Unit

The Belding Building Authority — The members of the governing board of the Building Authority are appointed by the City Council. The City has significant influence over operations of the Building Authority and is also accountable for its fiscal matters. The Building Authority provides services exclusively to the primary government.

Discretely Presented Component Units

The component unit columns in the basic financial statements include the financial data of the Tax Increment Finance Authority (TIFA). This entity is reported in a separate column and rows to emphasize that it is legally separate from the City. The City also has two additional component units which had no financial assets or financial activity during the year (the Local Development Finance Authority (LDFA) and downtown Development Authority (DDA)). The LDFA was formed in 1993 and the bonds related to this entity have been paid and the related projects have been completed. The DDA was formed in 2006 to complete various projects in the downtown district. Funding for these projects will be provided through captured property taxes from various units of government. The members of the governing boards of these Authorities are appointed by the City Council. The budgets of these Authorities must be approved by the City Council, and the City has the ability to significantly influence their operations. Financial statements are not separately issued for the component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between enterprise functions and other various functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for reimbursement-based grants and interest which use a one year collection period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges for services. The principal operating revenues of the City's internal service funds are charges to City departments for shared costs, equipment utilization, and insurance coverage. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. Operating expenses for the internal funds include the cost of services (including claims), administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *Capital Improvements Fund* accounts for the accumulation and disbursement of resources for the construction of City capital projects. Funding is derived through a two-mill capital improvements tax levy.

The City reports the following major proprietary funds:

The *Dial-a-Ride Transit Enterprise Fund* is used to account for the operation of the public transportation system. Revenues are derived from Federal and State operating assistance along with passenger fares and various contracts with other entities.

The *Sewer Enterprise Fund* is used to account for the operations of the City's sewer department that provides sewer services to most residents of the City on a user charge basis.

The *Water Enterprise Fund* is used to account for the operations of the City's water department that provides water services to most residents of the City on a user charge basis.

The *Ambulance Enterprise Fund* is used to account for the revenues and expenses related to the City-run ambulance service. This fund is primarily funded through user fees combined with a General Fund appropriation and township contractual agreements.

Additionally, the City reports the following fund types:

The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources (other than perpetual trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

The *Debt Service Fund* is used to account for the accumulation of resources for, and payment of, long-term debt principal, interest, and related costs of governmental funds.

The *Capital Projects Fund* accounts for the accumulation and disbursement of resources for the construction of City capital projects.

The *Permanent Funds* are used to account for resources that are legally restricted to the extent that only earnings, and not principal may be used for purposes that support the City programs.

The *Alvah N. Belding Library Fund* accounts for the donations of Alvah N. Belding to the City that stipulated that the principal be preserved and only the interest be used for library operations.

The *River Ridge Cemetery Fund* accounts for the revenue received in prior years from perpetual care charges paid by the families of those persons buried in the cemetery. The principal in this fund must be maintained intact per state law and the interest earnings are transferred to the General Fund to help finance the care of cemeteries.

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

The *Internal Service Funds* are used to account for shared services, equipment usage, and insurance coverage provided to the City departments and funds on a cost reimbursement basis.

The *Agency Fund* is used to account for the collection and disbursement of property taxes that are collected on behalf of outside governments.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed by both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resource as they are needed.

Budgets and Budgetary Accounting

Comparisons to budget are presented for General and Special Revenue Funds. General and Special Revenue Funds adopt a legal budget with remaining funds maintaining budgets as a management control device. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to May 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget is adopted by activity.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed for the governmental fund types as a management control device.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Annual budgets lapse at fiscal year end.
6. Adoption and amendments of all budgets used by the City are governed by Michigan state law. The appropriations resolution is based on the projected expenditures budget of the department heads of the City. Any amendment to the original budget must meet the requirements of Michigan law. Any revisions that alter the total expenditures of any department must be approved by the City Council. The City Manager is authorized to transfer budgeted amounts within a department subject to the condition that the total expenditures do not exceed the approved appropriations by department. Thus the legal level of budgetary control is at the department level. Supplemental appropriations were necessary during the year.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the City considers cash and pooled investments to be cash and cash equivalents because the pooling of these balances allows for withdrawal of these balances at any time similar to a demand deposit account.

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

Investments

Investments are stated at fair value at the balance sheet date.

State statutes authorize the City to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended.

Receivables

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances are estimated to be \$55,000 at year-end, based on outstanding billings for ambulance services in the Ambulance Enterprise Fund.

Due to and Due from Other Funds

Interfund receivables and payables are short term borrowings that arise from interfund transactions which are recorded by all funds affected in the period in which transactions are executed.

Capital Assets

Capital assets, which include land, construction in progress, buildings and equipment, vehicles, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type activities columns in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The amount reported for infrastructure includes only assets added since 2003.

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Depreciation on capital assets (including infrastructure) is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	15-20
Buildings and equipment	5-50
Vehicles	5-15
Public domain infrastructure	20-50
System infrastructure	10-75

Deferred Revenue

Funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the funds were as follows:

Fire service contracts (General Fund)	\$ 3,159
Receivable from Richardson Mills Partnership (Richardson Mills Fund)	<u>60,000</u>
Total governmental funds	63,159
Ambulance contracts (Ambulance Enterprise Fund)	<u>23,015</u>
	<u>\$86,174</u>

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

Compensated Absences

Under contracts negotiated with employee groups, individual employees have a vested right to receive payments for unused vacation benefits under formulas and conditions specified in the contracts. Accumulated vacation time of governmental funds is recorded on the statement of net assets and not on the governmental fund balance sheets because it is not expected to be liquidated with expendable available financial resources. Amounts accumulated for proprietary funds are reported on the statements of net assets of the individual enterprise funds.

Property Taxes

City property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before August 15. These summer tax bills include the City's own property taxes and taxes billed on behalf of other taxing units within the City limits. Real property taxes not collected as of March 1 are turned over to the County for collection, which advances the City 100% for the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer.

Property taxes levied in July of each year are recognized as revenue in that year.

Grants and Other Intergovernmental Revenues

Grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenue when entitlement occurs. Reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditure/expenses are incurred.

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services and to service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers.

2. DEFICIT FUND BALANCE/NET ASSETS

At June 30, 2006 the City had deficit net assets in the Tax Increment Finance Authority (TIFA) of \$1,254,666, and the Ambulance Enterprise Fund of \$24,098, and deficit fund balance in the Library Improvement Special Revenue Fund of \$87,401.

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

Michigan law, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the budgeted funds have been shown on a functional basis. The approved budgets of the City for these budgeted funds were adopted at the activity level.

During the year ended June 30, 2006, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance (Unfavorable)</u>
General Fund			
General Government			
Finance and administration	\$192,491	\$194,597	\$(2,106)
Cemetery	59,789	60,604	(815)

4. CASH AND INVESTMENTS

The captions on the financial statements relating to cash and pooled investments and investments are as follows:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and pooled investments	\$1,596,415	\$169,672	\$500	\$1,766,587
Investments	33,500	-	-	35,500
	<u>\$1,629,915</u>	<u>\$169,672</u>	<u>\$500</u>	<u>\$1,802,087</u>

Cash and pooled investments and investments captions consist of the following at June 30, 2006:

Deposits and certificates of deposit	\$1,179,729
Mutual funds and securities	<u>622,358</u>
Total	<u>\$1,802,087</u>

The deposits are in six financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the City and a specific fund or common account. They are recorded in City records at fair value. Interest is recorded when earned.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require, and the City does not have, a policy for deposit custodial credit risk. As of year-end, \$955,400 of the City's bank balance of \$1,255,599 was exposed to custodial credit risk.

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

Investments

The City chooses to disclose its investments by specifically identifying each. As of year-end, the City had the following deposits and investments:

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Source</u>
Mutual fund accounts	Various	\$112,852	None	
GNMA Pool	12/15/13	18,057	AAA	S&P
FHMLC	8/1/09	1,294	AAA	S&P
FHLB	5/26/06	490,155	AAA	S&P
		<u>\$622,358</u>		

The above investments do not include certificates of deposit which are classified as deposits for risk identification purposes.

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1, the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity date for each investment is identified above for investments held at year-end.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in Note 1, the summary of significant accounting policies. The investment policy does not have specific limits in excess of state law on investment credit risk. The rating for each investment is identified above for investments held at year end.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk. Of the above \$622,358 of investments, the City has a custodial credit risk of \$509,506 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities. Of the above mutual fund investments the City's custodial credit risk exposure cannot be determined because the mutual funds do not consist of specifically identifiable securities.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in Note 1, the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year-end are reported above.

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

5. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables of individual funds at June 30, 2006 were as follows:

<u>Receivable fund</u>	<u>Payable fund</u>					<u>Nonmajor governmental funds</u>	<u>Total</u>
	<u>Dial-a Ride Transit</u>	<u>Sewer</u>	<u>Water</u>	<u>Ambulance</u>	<u>Internal Service</u>		
General fund	\$114,240	\$91,624	\$194,136	\$ -	\$ -	\$ -	\$400,000
Nonmajor governmental funds	-	-	21,414	220,838	34,823	65,736	342,811
Total	\$114,240	\$91,624	\$215,550	\$220,838	\$34,823	\$65,736	\$742,811

Interfund balances primarily reflect loans made from funds with cash and pooled investments to those funds requiring temporary cash flow.

6. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2006 are as follows:

<u>Transfer out</u>	<u>Transfer in</u>			<u>Total</u>
	<u>Dial-a Ride Transit</u>	<u>Capital Improvements</u>	<u>Nonmajor governmental funds</u>	
General fund	\$65,000	\$ -	\$142,784	\$207,784
Sewer	-	-	5,000	5,000
Water	-	-	5,000	5,000
Ambulance	-	-	25,000	25,000
Nonmajor governmental funds	-	50,000	-	50,000
Total	\$65,000	\$50,000	\$177,784	\$292,784

Transfers are used to (1) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.

A transfer of \$174,800 was made from the Tax Increment Finance Authority (TIFA) general fund to the TIFA debt service fund to assist with payment of long-term debt.

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

7. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 510,450	\$ -	\$ -	\$ 510,450
Construction in Progress	1,085,887	879,978	1,008,051	957,814
Total capital assets, not being depreciated	1,596,337	879,978	1,008,051	1,468,264
Capital assets, being depreciated				
Land improvements	1,775,597	-	-	1,775,597
Buildings and equipment	2,580,345	-	-	2,580,345
Motor vehicles	2,448,539	329,966	80,440	2,698,065
Infrastructure	660,476	3,055,682	-	3,716,158
Total capital assets, being depreciated	7,464,957	3,385,648	80,440	10,770,165
Less accumulated depreciation for				
Land improvements	652,095	73,360	-	725,455
Buildings and equipment	1,333,308	111,956	-	1,445,264
Motor vehicles	1,567,939	115,137	80,440	1,602,636
Infrastructure	53,246	25,740	-	78,986
Total accumulated depreciation	3,606,588	326,193	80,440	3,852,341
Net capital assets, being depreciated	3,858,369	3,059,455	-	6,917,824
Governmental Activities capital assets, net	\$5,454,706	\$3,939,433	\$1,008,051	\$8,386,088
Business-type Activities				
Capital assets, not being depreciated				
Land	\$ 57,234	\$ -	\$ -	\$ 57,234
Construction in Progress	-	32,887	-	32,887
Total capital assets, not being depreciated	57,234	32,887	-	90,121
Capital assets being depreciated				
Land improvements	11,463	-	-	11,463
Buildings	4,645,091	114,146	-	4,759,237
Vehicles and equipment	414,163	97,614	44,810	466,967
Infrastructure	7,909,270	268,434	-	8,177,704
Total capital assets, being depreciated	12,979,987	480,194	44,810	13,415,371
Less accumulated depreciation for				
Land improvements	11,463	-	-	11,463
Buildings and equipment	1,569,557	92,309	-	1,661,866
Vehicles	279,963	24,982	44,810	260,135
Infrastructure	2,033,332	201,677	-	2,235,009
Total accumulated depreciation	3,894,315	318,968	44,810	4,168,473
Net capital assets, being depreciated	9,085,672	161,226	-	9,246,898
Business-type Activities capital assets, net	\$9,142,906	\$194,113	\$ -	\$9,337,019

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General government	\$109,934
Public safety	40,628
Public works and streets	11,951
Culture and recreation	76,478
Capital assets held by the governments internal service funds are charged to the various functions based on their usage of the assets	<u>87,202</u>
Total depreciation expense - governmental activities	<u>\$326,193</u>
 Business-type Activities	
Dial-a-Ride	\$ 18,894
Sewer	113,034
Water	168,330
Ambulance	<u>18,710</u>
Total depreciation expense - business- type activities	<u>\$318,968</u>

8. PENSION PLANS

Defined Contribution Pension Plan

The City of Belding's Employee Retirement System is a defined contribution plan, which provides pension benefits to substantially all employees working more than 1,000 hours per year exclusive of those electing participation in the defined benefit plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate immediately upon employment. The City contributes 9% of each participant's base salary to the plan. The City's contributions are vested 100% upon hire. The plan provisions and contribution amounts were established by City Council and may be amended by City Council. The plan is administered by the ICMA.

The City's total payroll for the year ending June 30, 2006 was \$2,403,494. The City's contribution of \$114,652 was calculated using the base salary amount of \$1,273,914. City employees also made voluntary contributions to the plan totaling \$15,434, which was 1.2% of covered payroll.

Library employees are covered under a separate plan in which the City is contributing to separate retirement annuity accounts for four individuals. The contribution to the plan was \$9,585 based on covered payroll in the amount of \$95,846 for the year ended June 30, 2006, which was 10% of covered payroll.

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

Defined Benefit Plan

Plan Description

Certain bargaining units of the City participate in the Municipal Employees' Retirement System of Michigan (MERS), an agent multi-employer defined benefit pension plan providing retirement, death and disability benefits. The System is administered by the MERS retirement board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. A publicly available financial report that includes financial statements and required supplementary information for MERS may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917.

The City is required to contribute at an actuarially determined rate, which for the current year was 12.3% of annual covered payroll. Participating employees are required to contribute 7 percent of gross wages to the Plan. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of employees are established and may be amended by labor agreements.

For the year ended June 30, 2006, the City's annual pension cost of \$44,632 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of eight (8.0) percent; and (b) projected salary increases of four and one-half (4.5) percent per year compounded annually based on inflation, plus a percentage based on an age-related scale to reflect merit, longevity and promotional salary increases. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2005, the date of the latest actuarial valuation, was 30 years.

Three-Year Trend Information

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
6/30/04	\$34,115	100%	\$ -
6/30/05	42,028	100%	-
6/30/06	44,632	100%	-

Schedule of Funding Progress

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability (AAL)</u> <u>Entry Age</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>Total</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u> <u>((b-a)/c)</u>
12/31/03	\$637,106	\$1,296,924	\$659,818	49%	\$327,617	201%
12/31/04	670,353	1,418,331	747,978	47%	351,796	213%
12/31/05	707,033	1,456,594	749,561	49%	341,115	220%

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

9. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2006:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>	<u>Due Within One Year</u>
Governmental Activities					
\$400,000 Fire truck installment purchase agreement, payments due in annual installments of \$51,531 to \$63,874 through May 2010; interest at 4.388%	\$ 293,622	\$ -	\$ 53,792	\$ 239,830	\$ 56,152
\$180,000, 1996 Michigan Municipal Bond Authority - Fire truck. Payments due in annual installments of \$16,000 to \$23,000 through November 1, 2005; interest at 5.6%	23,000	-	23,000	-	-
\$950,000 Building Authority Bonds, Series 2000. Payments due in annual installments of \$30,000 to \$80,000 through November 1, 2020; interest at 5.25% to 5.375%	855,000	-	35,000	820,000	35,000
Accrued employee benefits	117,655	33,874	35,000	116,529	29,000
Total Governmental Activities	<u>1,289,277</u>	<u>33,874</u>	<u>146,792</u>	<u>1,176,359</u>	<u>120,152</u>
Business-type Activities					
\$2,245,000 City of Belding Sanitary Sewer System Revenue Bonds, Series 1992. Bonds due in annual installments of \$105,000 to \$130,000 through April 1, 2010; interest at 2.0%	565,743	-	120,000	445,743	125,000
City of Belding Act 94 Water Supply System Revenue Bonds due in annual installments of \$25,000 to \$45,000 through October 1, 2023; interest at 2.50%	660,000	-	25,000	635,000	30,000
Total Business-type Activities	<u>1,225,743</u>	<u>-</u>	<u>145,000</u>	<u>1,080,743</u>	<u>155,000</u>
Component Units					
Tax Increment Finance Authority: \$1,850,000 Tax Increment Refunding Bonds, due in annual installments of \$20,000 to \$200,000 through May 1, 2015; interest at 3.75% to 4.75%	1,520,000	-	105,000	1,415,000	110,000
Total Long-term Debt - Reporting Entity	<u>\$4,035,020</u>	<u>\$33,874</u>	<u>\$396,792</u>	<u>\$3,672,102</u>	<u>\$385,152</u>

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

The annual requirements to amortize all debt outstanding (excluding accrued employee benefits) as of June 30, 2006 are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 91,152	\$ 53,018	\$ 155,000	\$ 24,415	\$ 110,000	\$ 64,615
2008	98,616	48,586	155,000	21,165	120,000	59,775
2009	101,188	43,914	160,000	17,915	135,000	54,435
2010	103,874	39,129	95,743	14,565	145,000	48,428
2011	45,000	34,094	30,000	12,501	155,000	41,975
2012-2016	265,000	131,620	170,000	50,253	750,000	96,191
2017-2021	355,000	49,814	190,000	27,879	-	-
2022-2026	-	-	125,000	4,815	-	-
Total	\$ 1,059,830	\$ 400,175	\$ 1,080,743	\$ 173,508	\$ 1,415,000	\$ 365,419

10. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the government carries commercial insurance. The City is self-funded for dental insurance and carries commercial health, and optical insurance. Statement No. 10 of the Governmental Accounting Standards Board requires that a liability for claims be reported if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

The activity of the self-funded insurance is accounted for in the Insurance Internal Service Fund. An independent administrator is contracted to process the daily claims. There were no changes in insurance coverage from the prior year. The City is responsible for paying administrative charges which are included in this fund. The revenues for this fund's operation are reimbursements from various funds, employee withholdings, and co-payments. The liability at the end of the year included claims already incurred and reported as well as an estimate for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. Any claims outstanding at June 30, 2006 are considered by management to be immaterial, thus the end of year liability at June 30, 2006 is set at zero.

Settled claims have not exceeded insurance coverage in the history of the self-insurance program. The changes in the claims liability for the years ended June 30, 2006 and 2005 are as follows:

	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Year Liability
2005	\$ -	\$23,769	\$23,769	\$ -
2006	-	36,221	36,221	-

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

11. OTHER POST EMPLOYMENT BENEFITS

The City provides health care insurance benefits to retired full-time employees in accordance with various labor agreements. Currently there are 3 retirees eligible. The city recognized the cost of the post employment health care benefits when the payments are made. During 2006, the amount expended for post employment benefits was \$10,850.

12. SUBSEQUENT EVENTS

On August 29, 2006, the City of Belding Building Authority (a blended component unit) issued general obligation bonds in the amount of \$2,810,000 for library construction and expansion.

GENERAL FUND

The General Fund is used to account for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in another fund. Revenues in this fund are derived primarily from general property taxes, fees for services, interest, state shared revenues, grants, and other intergovernmental revenues. General operating expenditures of the City are accounted for in this fund, including the operation of the City Council, City Manager, Finance & Administrative Services, Central Municipal Activities, Cemetery, Police, Fire, Park Maintenance, Interfund Transfers, Belrockton Community Center, Community Promotions, Planning and Community Development, and Debt Service.

CITY OF BELDING
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual Amount	Variance Positive Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current				
General government				
City Council	\$ 47,341	\$ 22,441	\$ 9,865	\$ 12,576
City Manager	266,760	266,760	252,309	14,451
Finance and administration	192,491	192,491	194,597	(2,106)
Central municipal activities	125,223	150,223	148,957	1,266
Cemetery	59,789	59,789	60,604	(815)
	<u>691,604</u>	<u>691,704</u>	<u>666,332</u>	<u>25,372</u>
Public safety				
Police Department	761,151	777,651	771,990	5,661
Fire Department	471,534	540,986	535,076	5,910
	<u>1,232,686</u>	<u>1,318,638</u>	<u>1,307,066</u>	<u>11,572</u>
Culture and recreation				
Park maintenance	93,762	93,762	82,590	11,172
Community center	34,641	40,441	37,733	2,708
Planning and community development	51,755	75,755	70,156	5,599
Community promotions	38,900	33,900	27,668	6,232
	<u>219,058</u>	<u>243,858</u>	<u>218,147</u>	<u>25,711</u>
Debt service				
Principal	76,792	76,792	76,792	-
Interest and fiscal charges	14,128	14,128	13,548	580
	<u>90,920</u>	<u>90,920</u>	<u>90,340</u>	<u>580</u>
Total expenditures	<u><u>\$ 2,234,268</u></u>	<u><u>\$ 2,345,120</u></u>	<u><u>\$ 2,281,885</u></u>	<u><u>\$ 63,235</u></u>

NON-MAJOR FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Major Streets - This fund is used to account for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for construction and maintenance of roads designated as major streets in the City. This has been classified as a major fund for FY 2004-05.

Local Streets - This fund is used to account for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for construction and maintenance of roads designated as local streets in the City.

Dispatch - This fund accounts for the funds received through the 911 telephone surcharge tax that are used for the City of Belding's 911 Dispatch Center. A General Fund appropriation also contributes toward this operation.

Richardson Mills - This fund accounts for the revenue received from the Richardson Mills Partnership per the agreement reached between the City and the partnership on the promissory note.

Library - This fund accounts for the operations of the City library. This fund is primarily funded through a county-wide tax levy and State of Michigan penal fines.

Museum - This fund accounts for the operations of the City museum. The revenues are derived mostly from donations and fund-raisers.

Drug Forfeiture - This fund is used to account for the revenue received from assets seized in drug raids. The expenditures from this fund are to be used for purchase of items that will reduce drug activity.

Capital project funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Library Improvements - This fund accounts for the library improvements project which are being financed primarily through contributions and an expected bond issues.

The Debt Service Fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources.

Building Authority - This fund accounts for the funding and payment of principal and interest on debt issued to renovate the City parks. Funding is derived from a transfer from other funds.

The Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal may be used for purposes that support the city programs.

Alvah N. Belding Library - This fund accounts for the donation of Alvah N. Belding to the City that stipulated that the principal be preserved and only the interest be used for library operations.

River Ridge Cemetery - This fund accounts for the revenue received from perpetual care charges paid by the families of those persons buried in the cemetery. The corpus in this fund must be maintained intact per state law and the interest earnings are transferred to the General Fund to help finance the perpetual care of cemeteries.

CITY OF BELDING
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2006

	Special Revenue				
	<u>Major Streets</u>	<u>Local Streets</u>	<u>Dispatch</u>	<u>Richardson Mills</u>	<u>Library</u>
Assets					
Cash and pooled investments	\$ 18,099	\$ 137,008	\$ 69,974	\$ 313,469	\$ 207,446
Investments	-	-	-	-	-
Accounts receivable	-	-	-	60,000	-
Accrued interest receivable	1,206	1,737	844	4,970	7,032
Due from other funds	-	-	-	-	342,811
Due from other governments	53,395	18,690	-	-	-
Total assets	\$ 72,700	\$ 157,435	\$ 70,818	\$ 378,439	\$ 557,289
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ -	\$ 46	\$ 46	\$ -	\$ 4,143
Accrued liabilities	3,980	1,665	4,406	-	5,833
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	-	60,000	-
Total liabilities	3,980	1,711	4,452	60,000	9,976
Fund balances					
Reserved					
Permanent fund corpus	-	-	-	-	-
Unreserved					
Undesignated	68,720	155,724	66,366	318,439	547,313
Total fund balances	68,720	155,724	66,366	318,439	547,313
Total liabilities and fund balances	\$ 72,700	\$ 157,435	\$ 70,818	\$ 378,439	\$ 557,289

		Capital Projects		Debt Service	Permanent		
Museum	Drug Forfeiture	Library Improvement	Building Authority	Alvah N. Belding Library	Riverridge Cemetery	Total	
\$ 56,746	\$ 34,954	\$ -	\$ 1,272	\$ -	\$ 104,264	\$ 943,232	
-	-	-	-	33,500	-	33,500	
-	-	-	-	-	-	60,000	
1,123	376	-	-	-	-	17,288	
-	-	-	-	-	-	342,811	
-	-	-	-	-	-	72,085	
\$ 57,869	\$ 35,330	\$ -	\$ 1,272	\$ 33,500	\$ 104,264	\$ 1,468,916	
\$ 1,170	\$ -	\$ 21,665	\$ -	\$ -	\$ -	\$ 27,070	
-	-	-	-	-	-	15,884	
-	-	65,736	-	-	-	65,736	
-	-	-	-	-	-	60,000	
1,170	-	87,401	-	-	-	168,690	
-	-	-	-	33,500	95,364	128,864	
56,699	35,330	(87,401)	1,272	-	8,900	1,171,362	
56,699	35,330	(87,401)	1,272	33,500	104,264	1,300,226	
\$ 57,869	\$ 35,330	\$ -	\$ 1,272	\$ 33,500	\$ 104,264	\$ 1,468,916	

CITY OF BELDING

NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2006

	Special Revenue				
	<u>Major Streets</u>	<u>Local Streets</u>	<u>Dispatch</u>	<u>Richardson Mills</u>	<u>Library</u>
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 211,593
Intergovernmental revenues					
State	323,376	113,193	-	-	9,120
Charges for services	-	-	117,915	-	5,746
Fines	-	-	-	-	87,372
Donations	-	-	-	-	14,802
Miscellaneous	195	44,180	9,929	17,775	45,953
Total revenues	323,571	157,373	127,844	17,775	374,586
Expenditures					
Current					
Public safety	-	-	171,596	-	-
Public works and streets	-	190,527	-	-	-
Culture and recreation	353,505	-	-	-	308,313
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	353,505	190,527	171,596	-	308,313
Revenues over (under) expenditures	(29,934)	(33,154)	(43,752)	17,775	66,273
Other financing sources (uses)					
Transfers in	-	53,814	44,290	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	53,814	44,290	-	-
Net changes in fund balances	(29,934)	20,660	538	17,775	66,273
Fund balances, beginning of year	98,654	135,064	65,828	300,664	481,040
Fund balances (deficit), end of year	\$ 68,720	\$ 155,724	\$ 66,366	\$ 318,439	\$ 547,313

		Capital Projects	Debt Service	Permanent		
<u>Museum</u>	<u>Drug Forfeiture</u>	<u>Library Improvement</u>	<u>Building Authority</u>	<u>Alvah N. Belding Library</u>	<u>Riverridge Cemetery</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 211,593
-	-	-	-	-	-	445,689
-	-	-	-	-	-	123,661
-	-	-	-	-	-	87,372
14,570	-	147,545	-	-	-	176,917
2,338	894	2,645	59	-	5,600	129,568
16,908	894	150,190	59	-	5,600	1,174,800
-	6,275	-	-	-	-	177,871
-	-	-	-	-	-	190,527
14,465	-	286,396	-	-	-	962,679
-	-	-	35,000	-	-	35,000
-	-	-	45,206	-	-	45,206
14,465	6,275	286,396	80,206	-	-	1,411,283
2,443	(5,381)	(136,206)	(80,147)	-	5,600	(236,483)
-	-	-	79,680	-	-	177,784
(50,000)	-	-	-	-	-	(50,000)
(50,000)	-	-	79,680	-	-	127,784
(47,557)	(5,381)	(136,206)	(467)	-	5,600	(108,699)
104,256	40,711	48,805	1,739	33,500	98,664	1,408,925
\$ 56,699	\$ 35,330	\$ (87,401)	\$ 1,272	\$ 33,500	\$ 104,264	\$ 1,300,226

CITY OF BELDING

MAJOR STREETS FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Intergovernmental revenues				
State	\$ 330,000	\$ 330,000	\$ 323,376	\$ (6,624)
Miscellaneous	2,000	2,000	195	(1,805)
Total revenues	332,000	332,000	323,571	(8,429)
Expenditures				
Current				
Public works and streets	435,378	435,378	353,505	81,873
Net changes in fund balance	(103,378)	(103,378)	(29,934)	73,444
Fund balance, beginning of year	98,654	98,654	98,654	-
Fund balance, end of year	\$ (4,724)	\$ (4,724)	\$ 68,720	\$ 73,444

CITY OF BELDING

LOCAL STREETS FUND

SCHEDULE OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Intergovernmental revenues				
State	\$ 115,000	\$ 115,000	\$ 113,193	\$ (1,807)
Miscellaneous	19,000	19,000	44,180	25,180
Total revenues	134,000	134,000	157,373	23,373
Expenditures				
Current				
Public works and streets	213,564	213,564	190,527	23,037
Revenues over (under) expenditures	(79,564)	(79,564)	(33,154)	46,410
Other financing source (uses)				
Transfers in	53,814	53,814	53,814	-
Net changes in fund balance	(25,750)	(25,750)	20,660	46,410
Fund balance, beginning of year	135,064	135,064	135,064	-
Fund balance, end of year	\$ 109,314	\$ 109,314	\$ 155,724	\$ 46,410

CITY OF BELDING

DISPATCH FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Charges for services	\$ 118,900	\$ 118,900	\$ 117,915	\$ (985)
Miscellaneous	3,500	8,500	9,929	1,429
Total revenues	122,400	127,400	127,844	444
Expenditures				
Current				
Public safety	166,889	171,889	171,596	293
Revenues over (under) expenditures	(44,489)	(44,489)	(43,752)	737
Other financing source (uses)				
Transfers in	44,290	44,290	44,290	-
Net changes in fund balance	(199)	(199)	538	737
Fund balance, beginning of year	65,828	65,828	65,828	-
Fund balance, end of year	<u>\$ 65,629</u>	<u>\$ 65,629</u>	<u>\$ 66,366</u>	<u>\$ 737</u>

CITY OF BELDING

RICHARDSON MILLS FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous	\$ 14,000	\$ 14,000	\$ 17,775	\$ 3,775
Expenditures				
Current				
General government	290,000	290,000	-	290,000
Net changes in fund balance	(276,000)	(276,000)	17,775	293,775
Fund balance, beginning of year	300,664	300,664	300,664	-
Fund balance, end of year	<u>\$ 24,664</u>	<u>\$ 24,664</u>	<u>\$ 318,439</u>	<u>\$ 293,775</u>

CITY OF BELDING

LIBRARY FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Taxes	\$ 192,000	\$ 192,000	\$ 211,593	\$ 19,593
Intergovernmental revenues				
State	8,973	8,974	9,120	146
Charges for services	5,550	5,550	5,746	196
Fines	91,500	91,500	87,372	(4,128)
Donations	14,000	14,000	14,802	802
Miscellaneous	40,666	40,666	45,953	5,287
Total revenues	352,689	352,690	374,586	21,896
Expenditures				
Current				
Culture and recreation	323,290	323,290	308,313	14,977
Revenues over (under) expenditures	29,399	29,400	66,273	36,873
Other financing source (uses)				
Transfers out	125,000	125,000	-	(125,000)
Net changes in fund balance	154,399	154,400	66,273	(88,127)
Fund balance, beginning of year	481,040	481,040	481,040	-
Fund balance, end of year	\$ 635,439	\$ 635,440	\$ 547,313	\$ (88,127)

CITY OF BELDING

MUSEUM FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Charges for services	\$ 100	\$ 100	\$ -	\$ (100)
Donations	11,500	11,500	14,570	3,070
Miscellaneous	1,250	1,250	2,338	1,088
Total revenues	12,850	12,850	16,908	4,058
Expenditures				
Current				
Culture and recreation	61,500	36,500	14,465	22,035
Revenues over (under) expenditures	(48,650)	(23,650)	2,443	26,093
Other financing source (uses)				
Transfers out	-	(50,000)	(50,000)	-
Net changes in fund balance	(48,650)	(73,650)	(47,557)	26,093
Fund balance, beginning of year	104,256	104,256	104,256	-
Fund balance, end of year	\$ 55,606	\$ 30,606	\$ 56,699	\$ 26,093

CITY OF BELDING

DRUG FORFEITURE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Miscellaneous	\$ -	\$ -	\$ 894	\$ 894
Expenditures				
Current				
Public safety	43,245	43,245	6,275	36,970
Net changes in fund balance	(43,245)	(43,245)	(5,381)	37,864
Fund balance, beginning of year	40,711	40,711	40,711	-
Fund balance, end of year	<u>\$ (2,534)</u>	<u>\$ (2,534)</u>	<u>\$ 35,330</u>	<u>\$ 37,864</u>

ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises- where the intent of the City Council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the City Council has decided that periodic determination of net income is appropriate for accountability purposes.

Dial-a-Ride Transit - This fund is used to account for the operation of the public transportation system. Revenues are derived from both Federal and State operating assistance along with passenger fares and various contracts with other entities.

CITY OF BELDING
DIAL-A-RIDE TRANSIT FUND
SCHEDULE OF OPERATING REVENUES
FOR THE YEAR ENDED JUNE 30, 2006

	<u>7/1/05 to</u> <u>9/30/2005</u>	<u>10/1/05 to</u> <u>6/30/2006</u>	<u>Total</u>
Operating revenues			
Demand response (farebox)			
Regular service	\$ 5,235	\$ 22,585	\$ 27,820
Contracted fares	10,063	30,726	40,789
Miscellaneous	-	757	757
Total operating revenues	<u>\$ 15,298</u>	<u>\$ 54,068</u>	<u>\$ 69,366</u>

CITY OF BELDING

DIAL-A-RIDE TRANSIT FUND SCHEDULE OF OPERATING EXPENSES

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Total System</u>
Operating expenses				
Labor				
Salaries and wages	\$ 117,674	\$ -	\$ 12,428	\$ 130,102
Fringe benefits	22,551	-	2,189	24,740
Services				
Advertising	-	-	432	432
Other services	40,723	12,209	19,165	72,097
Materials and supplies				
Fuel	24,521	-	-	24,521
Other materials and supplies	-	8,408	71	8,479
Casualty and liability costs				
Insurance	4,412	-	-	4,412
Utilities	4,374	-	8,570	12,944
Miscellaneous				
Travel and training	1,672	1,327	2,556	5,555
Other miscellaneous expenses	80	-	3,619	3,699
Depreciation	18,894	-	-	18,894
Total operating expenses	\$ 234,901	\$ 21,944	\$ 49,030	\$ 305,875

CITY OF BELDING
DIAL-A-RIDE TRANSIT FUND
SCHEDULE OF NON-OPERATING REVENUES
FOR THE YEAR ENDED JUNE 30, 2006

	<u>7/1/05 to</u> <u>9/30/2005</u>	<u>10/1/05 to</u> <u>6/30/2006</u>	<u>Total</u>
Non-operating revenues			
Local			
Transfers from General Fund	\$ 16,250	\$ 48,750	\$ 65,000
State of Michigan grants			
Formula operating assistance (Act 51)	24,172	70,947	95,119
Capital grant - bus grant	-	19,523	19,523
Capital grant - building renovation	-	16,870	16,870
Formula operating assistance (Act 51) - prior years	-	6,525	6,525
Radio equipment	-	666	666
Total state revenues	<u>24,172</u>	<u>114,531</u>	<u>138,703</u>
Federal grants			
Section 5311	-	14,808	14,808
Section 5311 - capital - bus grant	-	78,091	78,091
Section 5311 - capital - building renovation	-	67,480	67,480
Section 5311 - prior years	7,936	3,068	11,004
RTAP	1,099	-	1,099
Total federal grants	<u>9,035</u>	<u>163,447</u>	<u>172,482</u>
Miscellaneous non-operating revenues	-	6,902	6,902
Total non-operating revenues	<u>\$ 49,457</u>	<u>\$ 333,630</u>	<u>\$ 383,087</u>

CITY OF BELDING
DIAL-A-RIDE TRANSIT FUND
SCHEDULE OF NET ELIGIBLE COSTS
COMPUTATIONS OF GENERAL OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Federal Section 5311</u>		<u>State Operating Assistance</u>	
	<u>7/1/05 to</u> <u>9/30/2005</u>	<u>10/1/05 to</u> <u>6/30/2006</u>	<u>7/1/05 to</u> <u>9/30/2005</u>	<u>10/1/05 to</u> <u>6/30/2006</u>
Expenses				
Labor	\$ 32,713	\$ 97,389	\$ 32,713	\$ 97,389
Fringe benefits	6,160	18,580	6,160	18,580
Service	20,502	57,582	20,502	57,582
Materials and supplies	9,587	23,413	9,587	23,413
Casualty and liability costs	1,103	3,309	1,103	3,309
Utilities	2,037	10,907	2,037	10,907
Miscellaneous	3,699	-	3,699	-
Depreciation	4,724	14,170	4,724	14,170
Total expenses	80,525	225,350	80,525	225,350
Less ineligible expenses				
Depreciation	4,724	14,170	4,724	14,170
Job Access project	14,366	21,830	14,366	21,830
Federal grants - RTAP	279	-	279	-
Net eligible expenses	\$ 61,156	\$ 189,350	\$ 61,156	\$ 189,350
Eligible for state operating assistance			61,156	189,350
Maximum Section 5311 Reimbursement (12.4% for FY 2005, 15.0% for FY 2006)	<u>\$ 7,583</u>	<u>\$ 28,403</u>	<u>7,583</u>	<u>28,403</u>
State operating assistance base			<u>\$ 53,573</u>	<u>\$ 160,948</u>

CITY OF BELDING
DIAL-A-RIDE TRANSIT FUND
SCHEDULE OF MILEAGE DATA
(unaudited)

FOR THE YEAR ENDED JUNE 30, 2006

	<u>City Regular</u>	<u>Job Access Program</u>	<u>Public Transportation Mileage</u>
Demand response			
First quarter (7/1/05 to 9/30/05)	11,966	4,096	16,062
Second quarter (10/1/05 to 12/31/05)	16,325	3,840	20,165
Third quarter (1/1/06 to 3/31/06)	16,932	3,968	20,900
Fourth quarter (4/1/06 to 6/30/06)	15,020	4,288	19,308
Total	<u>60,243</u>	<u>16,192</u>	<u>76,435</u>

The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Internal Service - This fund accounts for the costs of centralized municipal services such as legal fees, liability and property insurance, audit, data processing, and other miscellaneous services. The costs are reimbursed to this fund by the user departments.

Buildings and Grounds Maintenance - This fund accounts for the costs of operating and maintaining the land and buildings of the City, excluding the water and sewer buildings. The costs are reimbursed to this fund by the user departments.

Motor Pool - This fund accounts for the costs of acquiring and maintaining City-operated vehicles used by various City departments. The costs are reimbursed to this fund by the user departments.

Insurance - This fund accounts for the City's premium payments for insurance and the actual costs incurred. The costs are reimbursed to this fund by the user departments.

CITY OF BELDING

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF NET ASSETS

JUNE 30, 2006

	<u>Internal Service</u>	<u>Buildings and Grounds Maintenance</u>	<u>Motor Pool</u>	<u>Insurance</u>	<u>Total</u>
Assets					
Current assets					
Cash and pooled investments	\$ 73,728	\$ -	\$ 36,797	\$ 171,974	\$ 282,499
Accounts receivable	-	-	-	4,328	4,328
Accrued interest receivable	2,217	138	6,026	1,632	10,013
Total current assets	75,945	138	42,823	177,934	296,840
Capital assets					
Buildings and equipment	82,676	85,450	53,778	-	221,904
Vehicles	-	-	1,856,288	-	1,856,288
Less accumulated depreciation	(61,891)	(38,510)	(1,330,025)	-	(1,430,426)
Net capital assets	20,785	46,940	580,041	-	647,766
Total assets	96,730	47,078	622,864	177,934	944,606
Liabilities					
Current liabilities					
Accounts payable	12,435	3,934	34,953	725	52,047
Accrued liabilities	-	-	1,781	-	1,781
Due to other funds	-	34,823	-	-	34,823
Total current liabilities	12,435	38,757	36,734	725	88,651
Long-term liabilities					
Compensated absences	-	-	714	-	714
Total liabilities	12,435	38,757	37,448	725	89,365
Net assets					
Investment in capital assets net of related debt	20,785	46,940	580,041	-	647,766
Unrestricted	63,510	(38,619)	5,375	177,209	207,475
Total net assets	\$ 84,295	\$ 8,321	\$ 585,416	\$ 177,209	\$ 855,241

CITY OF BELDING

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Internal Service</u>	<u>Buildings and Grounds Maintenance</u>	<u>Motor Pool</u>	<u>Insurance</u>	<u>Total</u>
Operating revenue					
Charges for services	\$ 268,927	\$ 79,294	\$ 263,256	\$ 604,234	\$ 1,215,711
Total operating revenue	<u>268,927</u>	<u>79,294</u>	<u>263,256</u>	<u>604,234</u>	<u>1,215,711</u>
Operating expense					
Personnel services	-	-	45,958	-	45,958
Contractual services	237,921	4,157	44,036	567,520	853,634
Benefits	-	-	8,448	-	8,448
Materials and supplies	15,144	418	43,761	-	59,323
Utilities	9,222	45,972	26,219	-	81,413
Repair and maintenance	5,642	25,082	97,276	-	128,000
Depreciation	4,366	5,658	77,178	-	87,202
Miscellaneous	6,902	-	1,658	-	8,560
Total operating expense	<u>279,197</u>	<u>81,287</u>	<u>344,534</u>	<u>567,520</u>	<u>1,272,538</u>
Operating income (loss)	(10,270)	(1,993)	(81,278)	36,714	(56,827)
Non-operating revenue (expense)					
Interest income	1,496	(236)	2,059	3,553	6,872
Changes in net assets	(8,774)	(2,229)	(79,219)	40,267	(49,955)
Net assets, beginning of year	<u>93,069</u>	<u>10,550</u>	<u>664,635</u>	<u>136,942</u>	<u>905,196</u>
Net assets, end of year	<u>\$ 84,295</u>	<u>\$ 8,321</u>	<u>\$ 585,416</u>	<u>\$ 177,209</u>	<u>\$ 855,241</u>

CITY OF BELDING

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Internal Service</u>	<u>Buildings and Grounds Maintenance</u>	<u>Motor Pool</u>	<u>Insurance</u>	<u>Total</u>
Cash flows from operating activities					
Receipts from internal services provided	\$ 268,927	\$ 79,294	\$ 263,256	\$ 601,973	\$ 1,213,450
Payments to employees	-	-	(52,860)	-	(52,860)
Payments to suppliers	(267,114)	(76,858)	(191,794)	(566,795)	(1,102,561)
Net cash provided by (used in) operating activities	<u>1,813</u>	<u>2,436</u>	<u>18,602</u>	<u>35,178</u>	<u>58,029</u>
Cash flows from non-capital financing activities					
Loans from other funds	-	(2,200)	37,022	-	34,822
Cash flows from capital and related financing activities					
Acquisitions of capital assets	-	-	(329,966)	-	(329,966)
Cash flows from investing activities					
Interest income	929	(236)	1,774	2,225	4,692
Net increase (decrease) in cash and pooled investments	<u>2,742</u>	<u>-</u>	<u>(272,568)</u>	<u>37,403</u>	<u>(232,423)</u>
Cash and pooled investments, beginning of year	<u>70,986</u>	<u>-</u>	<u>309,365</u>	<u>134,571</u>	<u>514,922</u>
Cash and pooled investments, end of year	<u>\$ 73,728</u>	<u>\$ -</u>	<u>\$ 36,797</u>	<u>\$ 171,974</u>	<u>\$ 282,499</u>
Cash flows from operating activities					
Operating income (loss)	\$ (10,270)	\$ (1,993)	\$ (81,278)	\$ 36,714	\$ (56,827)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation	4,366	5,658	77,178	-	87,202
Change in operating assets and liabilities which provided (used) cash					
Accounts receivable	-	-	-	(2,261)	(2,261)
Accounts payable	7,717	(1,229)	21,156	725	28,369
Accrued liabilities	-	-	1,782	-	1,782
Compensated absences	-	-	(236)	-	(236)
Net cash provided by (used in) operating activities	<u>\$ 1,813</u>	<u>\$ 2,436</u>	<u>\$ 18,602</u>	<u>\$ 35,178</u>	<u>\$ 58,029</u>

FIDUCIARY FUNDS

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds.

Current Tax Collection - This fund accounts for the collection and disbursements of property taxes billed and collected by the City on behalf of the county and school districts.

CITY OF BELDING

CURRENT TAX COLLECTION AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2006</u>
Assets				
Cash and pooled investments	\$ 5,570	\$ 4,317,352	\$ 4,322,422	\$ 500
Total assets	<u>\$ 5,570</u>	<u>\$ 4,317,352</u>	<u>\$ 4,322,422</u>	<u>\$ 500</u>
Liabilities				
Taxes payable	\$ 4,747	\$ 4,317,352	\$ 4,321,599	\$ 500
Other liabilities	823	-	823	-
Total liabilities	<u>\$ 5,570</u>	<u>\$ 4,317,352</u>	<u>\$ 4,322,422</u>	<u>\$ 500</u>

COMPONENT UNIT

Tax Increment Finance Authority (TIFA) - The TIFA Fund accumulates tax revenue "captured" in the TIFA district for the payment of principal and interest on the TIFA bonds and principal and interest on loans from other City funds.

CITY OF BELDING

TAX INCREMENT FINANCE AUTHORITY COMBINING BALANCE SHEET/STATEMENT OF NET ASSETS

JUNE 30, 2006

	Governmental Fund Types			Adjustments	Statement of Net Assets
	General Fund	Debt Service Fund	Totals		
Assets					
Cash and pooled investments	\$ 158,541	\$ 11,131	\$ 169,672	-	\$ 169,672
Accrued interest receivable	1,431	-	1,431	-	1,431
Total assets	\$ 159,972	\$ 11,131	\$ 171,103	-	171,103
Liabilities and fund balances					
Liabilities					
Accrued liabilities	\$ -	\$ -	\$ -	10,769	10,769
Noncurrent liabilities					
Due within one year	-	-	-	110,000	110,000
Due in more than one year	-	-	-	1,305,000	1,305,000
Total liabilities	-	-	-	1,425,769	1,425,769
Fund balances					
Unreserved					
Undesignated	159,972	11,131	171,103		
Total liabilities and fund balances	\$ 159,972	\$ 11,131	\$ 171,103		
Net assets (deficit)					
Unrestricted					<u>\$ (1,254,666)</u>

CITY OF BELDING

TAX INCREMENT FINANCE AUTHORITY COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Governmental Fund Types</u>		<u>Totals</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
	<u>General Fund</u>	<u>Debt Service Fund</u>			
Revenues					
Taxes	\$ 201,494	\$ -	\$ 201,494	\$ -	\$ 201,494
Miscellaneous	4,472	73	4,545	-	4,545
	<u>205,966</u>	<u>73</u>	<u>206,039</u>	<u>-</u>	<u>206,039</u>
Expenditures					
Current					
Miscellaneous	10,250	-	10,250	-	10,250
Debt Service					
Principal	-	105,000	105,000	(105,000)	-
Interest	-	69,183	69,183	(761)	68,422
	<u>10,250</u>	<u>174,183</u>	<u>184,433</u>	<u>(105,761)</u>	<u>78,672</u>
Total expenditures	<u>10,250</u>	<u>174,183</u>	<u>184,433</u>	<u>(105,761)</u>	<u>78,672</u>
Revenues over (under) expenditures	<u>195,716</u>	<u>(174,110)</u>	<u>21,606</u>	<u>(105,761)</u>	<u>127,367</u>
Other financing sources (uses)					
Transfers in	-	174,800	174,800	(174,800)	-
Transfers out	(174,800)	-	(174,800)	174,800	-
	<u>(174,800)</u>	<u>174,800</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(174,800)</u>	<u>174,800</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	<u>20,916</u>	<u>690</u>	<u>21,606</u>	<u>(21,606)</u>	
Change in net assets				<u>(127,367)</u>	<u>127,367</u>
Fund balances/net assets, beginning of year	<u>139,056</u>	<u>10,441</u>	<u>149,497</u>	<u>-</u>	<u>(1,382,033)</u>
Fund balances/net assets, end of year	<u>\$ 159,972</u>	<u>\$ 11,131</u>	<u>\$ 171,103</u>	<u>\$ -</u>	<u>\$ (1,254,666)</u>

CITY OF BELDING

STATISTICAL SECTION

This part of the City of Belding's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements and note disclosures says about the city's overall financial health.

Contents

Table

Financial Trends

These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.

A-1 to A-4

Revenue Capacity

These schedules contain information to help the reader assess the city's most significant local revenue source, the property tax.

B-1 to B-4

Debt Capacity

These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.

C-1 to C-5

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment in which the city's financial activities take place.

D-1 to D-2

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.

E-1 to E-3

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.*

CITY OF BELDING

Table A-1

NET ASSETS BY COMPONENT LAST FOUR FISCAL YEARS (accrual basis of accounting)

	Fiscal Year			
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 7,326,258	\$ 4,283,083	\$ 3,195,861	\$ 2,999,242
Restricted	1,153,129	2,355,064	501,655	377,805
Unrestricted	1,190,038	1,401,699	3,185,173	3,072,256
Total governmental activities net assets	<u>\$ 9,669,425</u>	<u>\$ 8,039,846</u>	<u>\$ 6,882,689</u>	<u>\$ 6,449,303</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 8,256,276	\$ 7,917,166	\$ 7,769,018	\$ 7,552,743
Restricted	-	-	13,714	52,011
Unrestricted	(284,785)	69,248	215,994	265,602
Total business-type activities net assets	<u>\$ 7,971,491</u>	<u>\$ 7,986,414</u>	<u>\$ 7,998,726</u>	<u>\$ 7,870,356</u>
Primary government				
Invested in capital assets, net of related debt	\$ 15,582,534	\$ 12,200,249	\$ 10,964,879	\$ 10,551,985
Restricted	1,153,129	2,355,064	515,369	429,816
Unrestricted	905,253	1,470,947	3,401,167	3,337,858
Total primary government net assets	<u>\$ 17,640,916</u>	<u>\$ 16,026,260</u>	<u>\$ 14,881,415</u>	<u>\$ 14,319,659</u>

CITY OF BELDING

Table A-2

CHANGES IN NET ASSETS LAST FOUR FISCAL YEARS (accrual basis of accounting)

	Fiscal Year			
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Expenses				
Governmental activities				
General government	\$ 849,876	\$ 814,409	\$ 873,762	\$ 622,263
Public safety	1,499,635	1,224,421	1,732,955	1,443,148
Public works and streets	513,211	706,441	406,188	550,383
Culture and recreation	722,106	647,071	549,764	468,436
Interest on long-term debt	57,839	61,907	64,931	53,257
Total governmental activities	3,642,667	3,454,249	3,627,600	3,137,487
Business-type activities				
Dial-a-Ride	305,875	323,344	335,802	322,327
Sewer	756,757	678,093	643,387	596,897
Water	718,658	624,492	616,180	543,548
Ambulance (1)	555,521	583,221	-	-
Total business-type activities	2,336,811	2,209,150	1,595,369	1,462,772
Total primary government expenses	5,979,478	5,663,399	5,222,969	4,600,259
Program revenues				
Governmental activities				
Charges for services	610,101	257,388	746,788	667,002
Operating grants and contributions	657,318	642,331	631,431	634,167
Capital grants and contributions	1,528,891	1,090,940	118,608	503,318
Total governmental activities program revenues	2,796,310	1,990,659	1,496,827	1,804,487
Business-type activities				
Charges for services				
Dial-a-Ride	76,268	69,161	67,876	89,519
Sewer	629,075	608,646	577,726	536,103
Water	618,820	615,966	515,039	505,400
Ambulance	450,881	541,686	-	-
Operating grants and contributions	129,045	137,100	294,781	111,542
Capital grants and contributions	382,630	18,926	205,835	159,974
Total business-type activities program revenues	2,286,719	1,991,485	1,661,257	1,402,538
Total primary government program revenues	5,083,029	3,982,144	3,158,084	3,207,025

(continued)

CITY OF BELDING

CHANGES IN NET ASSETS LAST FOUR FISCAL YEARS (accrual basis of accounting)

	Fiscal Year			
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Net (expense) revenue				
Governmental activities	\$ (846,357)	\$ (1,463,590)	\$ (2,130,773)	\$ (1,333,000)
Business-type activities	(50,092)	(217,665)	65,888	(60,234)
Total primary government net (expense) revenue	(896,449)	(1,681,255)	(2,064,885)	(1,393,234)
General revenues and other changes in net assets				
Governmental activities				
Property taxes				
General operating	1,336,185	1,312,920	1,246,797	1,200,508
Capital projects	177,189	169,960	162,411	155,557
County-wide library levy	211,593	202,660	192,004	183,137
State shared revenues	732,142	739,551	751,617	959,698
Interest earnings	48,827	106,204	71,840	144,306
Other general revenues	-	268,511	194,490	255,090
Transfers	(30,000)	(179,059)	(55,000)	(40,982)
Total governmental activities	2,475,936	2,620,747	2,564,159	2,857,314
Business-type activities				
Interest earnings	5,169	5,280	2,920	10,816
Other general revenues	-	-	4,562	25,353
Transfers	30,000	179,059	55,000	40,982
Total business-type activities	35,169	184,339	62,482	77,151
Total primary government	2,511,105	2,805,086	2,626,641	2,934,465
Change in net assets				
Governmental activities	1,629,579	1,157,157	433,386	1,524,314
Business-type activities	(14,923)	(33,326)	128,370	16,917
Total primary government	\$ 1,614,656	\$ 1,123,831	\$ 561,756	\$ 1,541,231

(concluded)

Note:

(1) Prior to 2005, ambulance operations were included in governmental activities

CITY OF BELDING

Table A-3

FUND BALANCES OF GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (modified accrual basis of accounting)

	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
General fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	\$ 663,276	\$ 591,089	\$ 1,208,927	\$ 1,211,610	\$ 839,588	\$ 648,463	\$ 492,864	\$ 424,391	\$ 470,807	\$ 472,238
Total general fund	\$ 663,276	\$ 591,089	\$ 1,208,927	\$ 1,211,610	\$ 839,588	\$ 648,463	\$ 492,864	\$ 424,391	\$ 470,807	\$ 472,238
All other governmental funds										
Reserved	\$ 128,864	\$ 2,395	\$ 2,343	\$ 2,153	\$ 1,931	\$ 1,642	\$ 4,589	\$ 42,805	\$ 50,790	\$ 42,243
Unreserved reported in										
Special revenue funds	1,248,591	1,225,561	1,358,453	1,132,321	1,281,384	1,227,772	1,054,360	641,608	498,355	409,868
Debt service funds	1,272	-	-	-	95	2,243	-	-	-	-
Capital project funds	150,307	1,361,436	351,921	174,312	87,333	1,078,044	195,910	169,198	167,558	128,438
Permanent funds	8,900	132,164	128,564	123,264	-	-	-	-	-	-
Total all other governmental funds	\$ 1,537,934	\$ 2,721,556	\$ 1,841,281	\$ 1,432,050	\$ 1,370,743	\$ 2,309,701	\$ 1,254,859	\$ 853,611	\$ 716,703	\$ 578,549

Note:
Permanent Funds were established at the time the City implemented GASB 34

CITY OF BELDING

Table A-4

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (modified accrual basis of accounting)

	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Revenues										
Taxes	\$ 1,724,967	\$ 1,685,540	\$ 1,601,212	\$ 1,539,887	\$ 1,429,692	\$ 1,346,398	\$ 1,299,844	\$ 1,246,269	\$ 1,088,103	\$ 1,109,070
Intergovernmental revenues										
Federal	142,125	20,860	95,793	-	58,157	61,740	69,192	52,427	265,675	76,180
State	1,177,831	2,108,873	1,263,495	1,938,873	1,487,675	1,304,084	1,226,209	1,160,061	1,104,971	1,025,299
Licenses and permits	21,542	21,411	14,704	13,850	6,207	11,019	11,011	11,696	8,695	14,382
Charges for services	389,528	421,840	882,625	798,867	728,734	713,073	606,139	572,398	567,117	423,989
Fines	108,144	17,392	22,095	15,573	15,821	15,259	12,373	8,119	8,447	9,898
Special assessment	2,406	2,008	3,950	22,590	23,759	27,646	31,086	29,533	33,869	57,203
Donations	195,437	225,471	49,722	78,744	-	-	-	-	-	-
Miscellaneous	288,872	282,097	185,321	298,974	507,227	434,085	491,263	251,684	203,286	227,492
Total revenues	4,050,652	4,785,492	4,118,917	4,707,358	4,257,272	3,913,304	3,747,117	3,334,187	3,280,163	2,943,513
Expenditures										
Current										
General government	666,332	819,464	856,712	804,856	1,248,666	1,159,024	1,131,495	1,125,778	897,628	911,816
Public safety	1,484,937	1,161,658	2,201,003	1,608,731	1,224,612	1,202,854	1,164,797	1,131,614	1,025,047	1,088,439
Public works and streets	190,527	698,427	393,659	662,894	488,527	543,674	561,474	434,784	769,961	393,241
Culture and recreation	1,180,826	409,031	377,674	443,667	429,719	482,321	365,019	362,323	298,962	288,136
Debt service										
Principal	111,792	108,531	105,847	50,000	23,284	27,039	48,488	45,790	42,312	17,430
Interest	58,754	62,849	62,812	53,706	55,807	30,112	9,709	13,287	16,800	7,246
Capital Outlay	1,438,919	1,317,081	53,662	735,206	1,593,698	249,200	57,338	160,487	118,904	56,519
Total expenditures	5,132,087	4,577,041	4,057,369	4,349,060	5,084,313	3,894,224	3,338,320	3,274,063	3,169,414	2,762,827
Revenues over (under) expenditures	(1,081,435)	208,451	61,548	358,298	(807,041)	219,080	408,797	60,124	110,749	180,686
Other financing sources (uses)										
Bond/note proceeds	-	-	400,000	-	-	938,252	-	-	-	-
Transfers in	227,784	1,267,815	192,851	230,360	342,486	328,059	430,765	322,011	345,302	229,362
Transfers out	(257,794)	(1,192,815)	(247,851)	(271,342)	(283,278)	(274,950)	(369,842)	(291,443)	(319,528)	(263,364)
Total other financing sources (uses)	(30,000)	75,000	345,000	(40,982)	59,208	991,361	60,923	30,568	25,774	(34,002)
Net changes in fund balances	\$ (1,111,435)	\$ 283,451	\$ 406,548	\$ 317,316	\$ (747,833)	\$ 1,210,441	\$ 459,720	\$ 90,692	\$ 136,523	\$ 146,684
Debt service as a percentage of noncapital expenditures	4.6%	5.3%	4.2%	2.9%	2.3%	1.7%	1.8%	1.9%	1.9%	0.9%

CITY OF BELDING

Table B-1

ASSESSED AND ACTUAL VALUE OF TAXABLE PROPERTY LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Real property				Personal Property	Total Assessed and Actual Value	Total Direct Tax Rate
	Residential Property	Agricultural Property	Commercial Property	Industrial Property			
1997	88,602,600	16,800	17,652,000	16,201,400	122,472,800	148,690,600	16.9500
1998	94,404,600	18,200	19,762,600	16,545,400	130,730,800	155,797,800	16.9500
1999	109,350,200	18,200	21,405,000	16,444,400	147,217,800	173,525,600	16.9500
2000	120,535,400	19,600	23,399,400	16,539,800	160,494,200	184,689,000	16.9500
2001	127,930,400	19,600	24,159,000	16,891,600	169,000,600	193,990,400	16.9500
2002	139,841,600	22,200	26,603,600	18,274,400	184,741,800	212,760,200	16.9500
2003	148,230,800	26,000	27,236,200	18,468,200	193,961,200	216,665,400	16.9500
2004	152,798,800	56,000	28,035,600	18,633,400	199,523,800	222,370,000	16.9500
2005	159,356,000	56,000	29,382,400	21,796,200	210,590,600	236,740,000	16.9500
2006	163,680,000	56,000	30,535,800	21,099,200	215,371,000	240,473,800	16.9500

Property is reassessed each year at actual value, therefore, the assessed values are equal to the actual value.
Direct tax rate (millage) is per \$1,000 of taxable value which is generally equal to one-half of the assessed value.

Source: Ionia County Equalization Department

CITY OF BELDING
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(rate per \$1,000 of taxable value)

Fiscal Year Ended June 30	City of Belding			Ionia County			Belding Area Schools (1)				Ionia ISD		State	
	Operating Millage	Capital Improvement Millage	Total City Millage	Operating Millage	Library Millage	Senior Citizen	Total County Millage	Non-Homestead Millage	Debt Millage	BAS Millage	Operating Millage	Education Tax Millage	Total	
1996	14.9500	2.0000	16.9500	6.3314	-	-	6.3314	18.0000	3.5000	21.5000	2.9869	6.0000	53.7683	
1997	14.9500	2.0000	16.9500	6.2814	-	-	6.2814	18.0000	7.0000	25.0000	2.9869	6.0000	57.2183	
1998	14.9500	2.0000	16.9500	5.5712	-	-	5.5712	18.0000	7.0000	25.0000	2.9869	6.0000	56.5081	
1999	14.9500	2.0000	16.9500	4.9578	-	-	4.9578	18.0000	7.0000	25.0000	2.9786	6.0000	56.8864	
2000	14.9500	2.0000	16.9500	4.9244	1.0000	-	5.9578	18.0000	7.0000	25.0000	2.9581	6.0000	56.8231	
2001	14.9500	2.0000	16.9500	4.8603	0.9806	-	5.9150	18.0000	7.0000	25.0000	2.9581	6.0000	56.8231	
2002	14.9500	2.0000	16.9500	4.8053	0.9777	-	5.8380	17.9856	7.0000	24.9856	2.9213	6.0000	56.6949	
2003	14.9500	2.0000	16.9500	4.7620	0.9579	0.3750	6.0949	17.9856	7.0000	24.9856	2.8885	6.0000	56.5960	
2004	14.9500	2.0000	16.9500	4.7353	0.9525	0.3729	6.0607	17.9856	7.0000	24.9856	2.8613	6.0000	56.8918	
2005	14.9500	2.0000	16.9500	4.6993	0.9452	0.3700	6.0145	17.6708	7.0000	24.6708	4.5747	5.0000	57.5710	
											4.5369	6.0000	58.1722	

(1) In 1994, property tax reform was implemented in the State resulting in a 18 mill levy on non-homestead properties and 6.0 mills on all properties.

(2) Taxes rates (millages) are per \$1,000 of taxable value which is generally equal to one-half of the assessed value.

CITY OF BELDING

Table B-3

PRINCIPAL PROPERTY TAX PAYERS CURRENT YEAR AND NINE YEARS AGO

<u>Taxpayer</u>	2006			1997 (1)		
	<u>Taxable Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Value</u>	<u>Taxable Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Value</u>
Extruded Metals	\$ 7,368,700	1	7.49%			
Mizkan Americas	1,133,745	2	1.15%			
Metron of Belding	1,062,200	3	1.08%			
Consumers Energy	1,058,469	4	1.08%			
Granco-Clark	1,013,967	5	1.03%			
Candlestone Inn	917,720	6	0.93%			
Mason County Fruit Packers	814,089	7	0.83%			
Robroy Industries	739,800	8	0.75%			
Northgate Properties LLC	664,983	9	0.68%			
Belding Tank Technologies	658,261	10	0.67%			
Total	<u>\$ 15,431,934</u>		<u>15.69%</u>	<u>\$ -</u>		<u>0.00%</u>

Source: City assessors office

Note:

(1) Information from 1997 is not available

CITY OF BELDING

Table B-4

PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1997	\$ 1,149,020	\$ 1,053,232	91.7%	\$ 90,570	\$ 1,143,802	99.55%
1998	1,135,612	1,044,671	92.0%	89,848	1,134,519	99.90%
1999	1,128,510	1,037,624	91.9%	89,285	1,126,909	99.86%
2000	1,177,405	1,080,330	91.8%	96,619	1,176,949	99.96%
2001	1,205,792	1,125,252	93.3%	79,818	1,205,070	99.94%
2002	1,274,052	1,186,898	93.2%	84,141	1,271,039	99.76%
2003	1,383,420	1,304,229	94.3%	77,515	1,381,744	99.88%
2004	1,423,897	1,345,280	94.5%	78,416	1,423,696	99.99%
2005	1,490,889	1,413,319	94.8%	77,258	1,490,577	99.98%
2006	1,562,251	1,430,829	91.6%	128,728	1,559,557	99.83%

Source: City treasurer

Note:

- (1) Real and personal property taxes combined.
- (2) Property taxes are levied July 1 and become delinquent March 1 of the following year.
Delinquent real property taxes are purchased by Ionia County and are included in the collections in subsequent years column. Delinquent personal property taxes are collected by the City of Belding.

CITY OF BELDING

RATIOS OF OUTSTANDING DEBT BY TYPE LAST TEN FISCAL YEARS

Table C-1

Fiscal Year Ended June 30	Governmental Activities				Percentage of Property Value		Business-type Activities		Per Capita (1)
	General Obligation Bonds (2)	Amount Available	Net General Obligation Bonds	Loans Payable			Revenue Bonds	Total	
1997	\$ 2,246,310	\$ 41,587	\$ 2,204,723	\$ 41,603	3.02%	\$ 362.19	\$ 1,490,743	\$ 3,737,069	0.00%
1998	2,162,162	50,134	2,112,028	33,439	2.89%	345.93	1,370,743	3,516,210	0.00%
1999	2,320,118	42,149	2,277,969	24,693	2.96%	371.28	1,250,743	3,553,405	0.00%
2000	2,191,000	3,933	2,187,067	15,323	2.54%	355.11	1,140,743	3,343,133	0.00%
2001	3,029,000	3,229	3,025,771	5,284	3.28%	515.75	1,030,743	4,061,798	3.01%
2002	2,906,000	1,370	2,904,630	-	2.99%	494.24	915,743	3,820,373	1.98%
2003	2,746,000	1,497	2,744,503	-	2.58%	466.99	975,467	3,719,970	1.93%
2004	2,580,000	1,687	2,578,313	345,152	2.70%	497.44	1,370,743	4,294,208	2.22%
2005	2,398,000	1,739	2,396,261	293,622	2.42%	457.70	1,225,743	3,915,626	2.03%
2006	2,235,000	1,272	2,233,728	239,830	2.09%	420.89	1,080,743	3,554,301	1.84%

Note:

- (1) 1990 census figures (1995-2000), 2000 census figures (2001-Present) can be found at Table D-1.
- (2) Includes long-term debt of Tax Increment Finance Authority and Local Development Finance Authority.
- (3) Information prior to 2001 is not available.

CITY OF BELDING

Table C-2

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT AS OF JUNE 30, 2006

Governmental Unit	Debt Outstanding	Percentage Applicable To City	Amount Applicable To City
Overlapping Debt:			
Belding Area Schools	\$ 23,417,131	32.53%	\$ 7,617,593
Ionia County	597,486	7.00%	41,824
Ionia County Intermediate School District	1,340,000	6.16%	82,544
Total Overlapping Debt			7,741,961
City of Belding direct debt			2,235,000
Total Direct and Overlapping Debt			<u>\$ 9,976,961</u>

The portion of the taxable value for each governmental unit located within the City of Belding over the taxable value of the governmental unit as a whole is utilized to calculate overlapping debt percentages.

Source: Michigan Advisory Council (MAC)

CITY OF BELDING
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

Table C-3

Total state equalized value (1)	<u>\$ 120,223,400</u>										
Debt limitation - 10 percent of SEV	<u>\$ 12,022,340</u>										
Debt applicable to limitation:											
Total bonded debt	3,555,573										
Less:											
Revenue bonds	(1,080,743)										
Installment loans	(239,830)										
Total Debt Applicable to Limitation	<u>2,235,000</u>										
Legal Debt Margin	<u>\$ 9,787,340</u>										
		Fiscal Year									
		<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Debt limit	\$ 12,022,340	\$ 11,414,970	\$ 11,118,500	\$ 10,829,620	\$ 10,638,010	\$ 9,699,520	\$ 9,234,450	\$ 8,676,280	\$ 7,789,890	\$ 7,434,530	
Total net debt applicable to limit	2,235,000	2,398,000	2,580,000	2,746,000	2,906,000	3,029,000	2,191,000	2,320,118	2,162,162	2,246,310	
Legal debt margin	<u>\$ 9,787,340</u>	<u>\$ 9,016,970</u>	<u>\$ 8,538,500</u>	<u>\$ 8,083,620</u>	<u>\$ 7,732,010</u>	<u>\$ 6,670,520</u>	<u>\$ 7,043,450</u>	<u>\$ 6,356,162</u>	<u>\$ 5,627,728</u>	<u>\$ 5,188,220</u>	
Total net debt applicable to limit as a percentage of debt limit	18.6%	21.0%	23.2%	25.4%	27.3%	31.2%	23.7%	28.7%	27.8%	30.2%	

(1) Source: City assessors office

Note:
Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation expense. Service charges include interest income.

CITY OF BELDING
SCHEDULE OF INDEBTEDNESS

Table C-5

JUNE 30, 2006

	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Governmental activities							
2000 Building Authority Bond	11/16/2000	\$ 950,000	5.25-5.375	11/1/2006	\$ 35,000	\$ 21,706	\$ 56,706
				5/1/2007	-	20,788	20,788
				11/1/2007	40,000	20,788	60,788
				5/1/2008	-	19,738	19,738
				11/1/2008	40,000	19,738	59,738
				5/1/2009	-	18,688	18,688
				11/1/2009	40,000	18,688	58,688
				5/1/2010	-	17,638	17,638
				11/1/2010	45,000	17,638	62,638
				5/1/2011	-	16,456	16,456
				11/1/2011	45,000	16,456	61,456
				5/1/2012	-	15,275	15,275
				11/1/2012	50,000	15,275	65,275
				5/1/2013	-	13,963	13,963
				11/1/2013	55,000	13,963	68,963
				5/1/2014	-	12,519	12,519
				11/1/2014	55,000	12,519	67,519
				5/1/2015	-	11,075	11,075
				11/1/2015	60,000	11,075	71,075
				5/1/2016	-	9,500	9,500
				11/1/2016	65,000	9,500	74,500
				5/1/2017	-	7,794	7,794
				11/1/2017	65,000	7,794	72,794
				5/1/2018	-	6,047	6,047
				11/1/2018	70,000	6,047	76,047
				5/1/2019	-	4,166	4,166
				11/1/2019	75,000	4,166	79,166
				5/1/2020	-	2,150	2,150
				11/1/2020	80,000	2,150	82,150
					<u>820,000</u>	<u>373,300</u>	<u>1,193,300</u>
2003 Firetruck Loan	8/29/2003	400,000	4.39%	5/1/2007	56,152	10,524	66,676
				5/2/2008	58,616	8,060	66,676
				5/4/2009	61,188	5,488	66,676
				5/6/2010	63,874	2,803	66,677
					<u>239,830</u>	<u>26,875</u>	<u>266,705</u>
Vested benefits					<u>116,529</u>	<u>-</u>	<u>116,529</u>
Total governmental activities					<u>1,176,359</u>	<u>400,175</u>	<u>1,576,534</u>

(continued)

CITY OF BELDING
SCHEDULE OF INDEBTEDNESS (continued)
JUNE 30, 2006

	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Business-type activities							
Sanitary Sewer System Revenue Bonds Series 1992	8/28/1990	\$2,245,000	2.00%	10/1/2006	\$ -	\$ 4,457	\$ 4,457
				4/1/2007	125,000	4,457	129,457
				10/1/2007	-	3,207	3,207
				4/1/2008	125,000	3,207	128,207
				10/1/2008	-	1,957	1,957
				4/1/2009	130,000	1,957	131,957
				10/1/2009	-	657	657
				4/1/2010	65,743	657	66,400
					445,743	20,556	466,299
				Act 94 Water Supply System Revenue Bonds	6/26/2003	685,000	2.50%
10/1/2007	30,000	14,751	44,751				
10/1/2008	30,000	14,001	44,001				
10/1/2009	30,000	13,251	43,251				
10/1/2010	30,000	12,501	42,501				
10/1/2011	30,000	11,751	41,751				
10/1/2012	35,000	10,938	45,938				
10/1/2013	35,000	10,063	45,063				
10/1/2014	35,000	9,188	44,188				
10/1/2015	35,000	8,313	43,313				
10/1/2016	35,000	7,438	42,438				
10/1/2017	35,000	6,563	41,563				
10/1/2018	40,000	5,626	45,626				
10/1/2019	40,000	4,626	44,626				
10/1/2020	40,000	3,626	43,626				
10/1/2021	40,000	2,626	42,626				
10/1/2022	40,000	1,626	41,626				
10/1/2023	45,000	563	45,563				
	635,000	152,952	787,952				
Total business-type activities							
Total long-term debt - primary government					2,267,102	573,683	2,830,785
Component units							
Tax Increment Refunding Bond	11/1/1998	1,850,000	3.75-4.75%	5/1/2007	110,000	64,615	174,615
				5/1/2008	120,000	59,775	179,775
				5/1/2009	135,000	54,435	189,435
				5/1/2010	145,000	48,428	193,428
				5/1/2011	155,000	41,975	196,975
				5/1/2012	170,000	35,000	205,000
				5/1/2013	185,000	27,265	212,265
				5/1/2014	200,000	18,663	218,663
				5/1/2015	195,000	15,263	210,263
					1,415,000	365,419	1,780,419
Total component unit debt					1,415,000	365,419	1,780,419
Total reporting entity					\$ 3,672,102	\$ 939,102	\$ 4,611,204

(concluded)

CITY OF BELDING

Table D-1

DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN CALENDAR YEARS

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (1)</u>	<u>Per Capita Personal Income (1)</u>	<u>Unemployment Rate (2)</u>
1997	6,202	\$ -	\$ -	6.9
1998	6,202	-	-	6.3
1999	6,202	-	-	5.9
2000	6,202	-	-	5.3
2001	5,877	135,094,599	22,987	7.6
2002	5,877	193,224,006	32,878	8.8
2003	5,877	193,224,006	32,878	10.3
2004	5,877	193,224,006	32,878	9.2
2005	5,877	193,224,006	32,878	7.2
2006	5,877	193,224,006	32,878	7.8

(1) per U.S. Census Bureau - 2000 information prior to 2001 is not available

(2) per Michigan Department of Labor & Economic Growth (Unemployment rate is for Ionia County)

CITY OF BELDING

Table D-2

PRINCIPAL EMPLOYERS CURRENT YEAR AND NINE YEARS AGO

<u>Employer</u>	<u>2006</u>			<u>1997</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Extruded Metals	225	1	(1)	240	1	(1)
Granco-Clark	105	2				
Stahlin Enclosures	95	3		51	5	
Belding Tank & Technologies	48	4		50	6	
Spectrum Industries	30	5		25	7	
Gerreff Industries	30	6				
Baker Road Seating	20	7				
Hillside Finishing	15	8		20	9	
Mizkan America	15	9				
B&O Saws	11	10				
Viatch Process Storage				95	2	
Tomco Tool & Die				88	3	
Mason County Fruit Packers				61	4	
West Michigan Automotive Steel				23	8	
Belding Tool & Machine Corp.				18	10	

Source: City offices

(1) information is not available

CITY OF BELDING

Table E-1

CITY EMPLOYEES BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
General government										
Administration										
Full time	3	3	4	4	4	4				
Part time	1	-	-	-	-	-				
Finance										
Full time	3	3	3	3	3	3				
Part time	1	1	1	1	1	1				
Public works										
Full time	9	10	10	11	11	11				
Part time	2	2	2	3	2	2				
Library										
Full time	3	3	3	4	4	4				
Part time	4	4	3	3	3	3				
Public Safety										
Police										
Full time	9	9	9	10	11	11				
Part time	4	2	2	2	2	2				
Fire										
Full time	4	4	4	4	4	4				
Part time	22	22	17	19	19	19				
Dispatch										
Full time	2	2	2	2	2	2				
Part time	5	5	5	6	6	6				
Ambulance										
Full time	5	5	5	4	5	5				
Part time	13	17	17	19	14	15				
Dial-a-Ride										
Full time	3	4	4	4	4	4				
Part time	5	4	5	5	3	3				
Total	98	100	96	104	98	99	-	-	-	-

Source: City finance office

(1) information is not available

CITY OF BELDING

Table E-2

OPERATING INDICATORS BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Police								(1)	(1)	(1)
Arrests	610	609	271	618	618	610	(1)			
Accident responses	130	141	134	171	171	211	(1)			
Fire										
Fire calls	248	206	154	206	206	141	(1)			
Rescue calls	10	70	47	64	64	51	(1)			
MFR calls	430	346	350	372	372	373	(1)			
Public service calls	569	212	349	242	242	210	(1)			
Public works and streets										
Street reconstruction (in miles)	0.80	0.50	-	0.14	0.14	0.65	0.71			
Culture and recreation										
Library books	46,725	46,725	46,725	46,725	46,725	46,725	46,725			
Sewer system										
Number of service connections	1,790	1,790	1,790	1,790	1,790	1,760	1,760			
Daily average treatment in gallons	850,000	850,000	850,000	850,000	850,000	850,000	850,000			
Water system										
Number of service connections	1,810	1,810	1,810	1,810	1,810	1,780	1,780			
Daily average consumption in gallons	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000			
Dial-a-Ride system										
Total transit miles	76,435	92,210	87,279	108,338	108,308	72,729	78,438			
Passengers	31,190	33,908	31,007	41,974	34,667	38,242	38,732			

Source: Various City departments

(1) Information is not available

CITY OF BELDING

Table E-3

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Police										
Stations	1	1	1	1	1	1	1			
Patrol units	5	5	5	5	5	5	5			
Fire										
Stations	1	1	1	1	1	1	1			
Emergency response vehicles	6	6	6	8	8	7	7			
Public works and streets										
Buildings	1	1	1	1	1	1	1			
Miles of streets	37	37	37	37	37	36	36			
Number of street lights	394	394	394	394	394	394	394			
Culture and recreation										
Park acreage	160	160	160	160	160	160	160			
Sewer system										
Miles of sanitary sewers	36	36	36	36	36	36	36			
Miles of storm sewers	25	25	25	25	25	25	25			
Maximum daily capacity in gallons	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000			
Water system										
Miles of water mains	36	36	36	36	36	36	36			
Fire hydrants	241	241	241	241	241	241	241			
Above ground storage capacity	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000			
Maximum daily capacity in gallons	3,823,200	3,823,200	3,823,200	3,823,200	3,823,200	3,823,200	3,823,200			
Dial-a-Ride system										
Stations	1	1	1	1	1	1	1			
Vehicles	5	5	5	5	5	5	5			

Source: City finance office

(1) information is not available



Vredeveld Haefner LLC
CPA's and Consultants
4001 Granada Ct.
Grand Rapids, MI 49534
FAX (616) 828-0307

Douglas J. Vredeveld, CPA
(616) 446-7474
Peter S. Haefner, CPA
(616) 460-9388

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

September 12, 2006

Honorable Mayor and Members of the City Council
City of Belding, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Belding, Michigan, as of and for the year ended June 30, 2006, which collectively comprise the City of Belding's basic financial statements and have issued our report thereon dated September 12, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Belding's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Belding's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Belding, in a separate letter dated September 12, 2006.

This report is intended solely for the information and use of management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vredeveld Haefner LLC

Specializing in services to governmental and nonprofit entities



Vredeveld Haefner LLC

CPA's and Consultants

4001 Granada Ct.
Grand Rapids, MI 49534
FAX (616) 828-0307

Douglas J. Vredeveld, CPA

(616) 446-7474

Peter S. Haefner, CPA

(616) 460-9388

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

September 12, 2006

Honorable Mayor and Members of the City Council
City of Belding, Michigan

Compliance

We have audited the compliance of the City of Belding, Michigan, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. The City of Belding's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Belding's management. Our responsibility is to express an opinion on the City of Belding's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Belding's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Belding's compliance with those requirements.

In our opinion, the City of Belding, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the City of Belding is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Belding's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Orlando Haefner LLC

CITY OF BELDING
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Grant Number</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
Department of Homeland Security			
Operations and Firefighter Safety	EMW-2005-FG-17358	97.044	<u>\$ 42,125</u>
Federal Transit Administration			
Passed through Michigan Department of Transportation			
RTAP Training funds		20.509	279
Federal section 5311 operating - prior fiscal years		20.509	468
Federal section 5311 operating - 2004-2005		20.509	10,536
Federal section 5311 operating - 2005-2006		20.509	14,808
Federal section 5311 capital - building	2002-0016	20.509	67,480
Federal section 5309 capital - buses	2002-0016	20.500	<u>78,091</u>
Total passed through Michigan Department of Transportation			<u>171,662</u>
Department of Housing and Urban Development			
Passed through Michigan Strategic Fund			
Community Development Block Grant	MSC 204029-PW	14.228	<u>300,000</u>
Total Expenditures of Federal Awards			<u>\$ 513,787</u>

Expenditures on the schedule of expenditures of federal awards may differ from expenditures in the financial statements due to assets being purchased with capital grants being capitalized and the related assets being depreciated over the related asset's estimated useful live.

CITY OF BELDING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	Unqualified on basic financial statements		
Internal controls over financial reporting			
Material weaknesses identified?	<u> </u> yes	<u> X </u> no	
Reportable conditions identified not considered to be material weaknesses?	<u> </u> yes	<u> X </u> none reported	
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no	

Federal Awards

Internal control over major programs			
Material weaknesses identified?	<u> </u> yes	<u> X </u> no	
Reportable conditions identified not considered to be material weaknesses?	<u> </u> yes	<u> X </u> none reported	
Type of auditors' report issued on compliance for major programs	Unqualified		
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, section 510(a)?	<u> </u> yes	<u> X </u> no	

Identification of Major Programs

CFDA Number(s)

14.228

Name of Federal Program or Cluster

Community Development Block Grant

Dollar threshold used to distinguish between Type A and B programs?	<u> \$300,000 </u>
Auditee qualified as low-risk auditee?	<u> </u> yes <u> X </u> no

SECTION II - FINANCIAL STATEMENT FINDINGS

None noted

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

None noted



Vredeveld Haefner LLC
CPA's and Consultants
4001 Granada Ct.
Grand Rapids, MI 49534
FAX (616) 828-0307

Douglas J. Vredeveld, CPA
(616) 446-7474
Peter S. Haefner, CPA
(616) 460-9388

September 12, 2006

To the Honorable Mayor and City Council
City of Belding, Michigan

In planning and performing our audit of the financial statements of the City of Belding for the year ended June 30, 2006, we noted certain matters involving internal control and/or operations which we would like to bring to your attention. These matters were reviewed with management and we will review these matters during future audits.

DEPOSITS AND INVESTMENTS

During our audit we noted that investments are purchased, reconciled, and accounted for by a single City employee. The least desirable system of internal controls allows for one individual to possess, account for, and reconcile an organization's assets. We suggest that the investment process be reviewed and appropriate modification be made so that no single individual is responsible for investment decisions, accounting and the related reconciliation process.

POLICIES AND PROCEDURES

During our audit we noted that the City is utilizing credit agreements with certain vendors and that the city has not yet adopted a credit policy. Current state law requires governmental units that utilize credit cards and other credit agreements to adopt a credit policy which meets the requirements of state law. We suggest that the City adopt a credit policy to assure compliance with state requirements.

The capital asset listing utilizes various estimated useful lives for capital assets. We suggest that the staff of each department periodically review the capital asset listing to assure that the assets are still present and in use and the assigned lives are reasonable so that lives can be adjusted as necessary to appropriately account for the systematic allocation of the cost of capital assets over an appropriate useful life.

During our audit we noted that the receivable balance in the Ambulance Enterprise fund significantly increased from June 30, 2005 to June 30, 2006. We suggest that the City evaluate and modify the collection enforcement policy for these receivables to assure that these balances are collected as close to the service date as possible.

During our audit we noted that the costs of the various services provide through the internal service funds were being allocated to those funds utilizing the related services based on expected utilization. We suggest the City annually review the allocation to assure that the allocations are representative of the services utilized.

We suggest that the City review its current policy regarding board approval of bills paid and to be paid to assure compliance with state requirements for bill approval.

NEW ACCOUNTING STANDARDS

The Governmental Accounting Standards Board recently issued Statement No. 43 *Financial Reporting for Post Employment Plans and Other Than Pension Plans*. This Statement will become effective for the City for the 2007-2008 year and will require additional disclosure, an actuarial evaluation/other valuation of those employee benefits granted to retirees, and recognition of expenses in the government-wide financial statements for the costs associated with providing post employment health care benefits when employee services are rendered. We suggest that your staff become familiar with the requirements of this statement and take appropriate action to assure information is available for the 2007-2008 to appropriately account for and disclose the city's post employment benefit plans. We would be happy to work with your staff to implement these significant new accounting standards.

This report is intended solely for the information and use of the City Council and Management of the City of Belding, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Orlando Haeffner LLC